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Determinants of Financial Reporting Standards Implementation in Indonesian MSMEs: An Empirical Study of Songket Koto Gadang Enterprises

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ABSTRACT

The implementation of the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) is expected to enhance financial reporting quality and support the long-term sustainability of micro, small, and medium enterprises (MSMEs). However, its adoption among Indonesian MSMEs remains limited due to organizational and managerial challenges. This study investigates the effects of accounting recording systems, accounting understanding, and MSME readiness on the implementation of SAK EMKM among Songket Koto Gadang MSMEs in Agam Regency, West Sumatra. A quantitative explanatory survey was conducted involving 100 MSME owners selected through purposive sampling. Data were collected using structured questionnaires and analyzed through multiple linear regression with IBM SPSS Statistics. The results indicate that accounting recording systems, accounting understanding, and MSME readiness significantly influence the implementation of SAK EMKM, both partially and simultaneously. However, the negative coefficients of accounting recording systems and accounting understanding suggest that accounting knowledge and existing recording practices alone are insufficient to ensure effective implementation. MSME readiness emerged as the strongest determinant of successful adoption. These findings emphasize the importance of organizational preparedness, managerial commitment, and continuous institutional support in promoting SAK EMKM implementation. The study provides empirical evidence that can inform policymakers and supporting institutions in developing targeted accounting training, mentoring, and capacity-building programs to improve financial reporting practices among traditional craft-based MSMEs.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) constitute one of the most important drivers of economic development in emerging economies because they significantly contribute to employment creation, poverty reduction, income generation, and inclusive economic growth. In Indonesia, MSMEs account for more than 99% of all business entities and contribute substantially to national gross domestic product (GDP) and labor absorption. Their resilience has been demonstrated during periods of economic uncertainty, including the global financial crisis and the COVID-19 pandemic, where many MSMEs continued operating despite declining market demand and financial constraints. Consequently, strengthening MSME competitiveness has become a strategic priority within Indonesia's national development agenda, particularly through improving business governance, financial management, and institutional capacity (Ministry of Cooperatives and SMEs of the Republic of Indonesia, 2022; Statistics Indonesia [BPS], 2024). Nevertheless, sustainable business growth depends not only on the ability to produce competitive products but also on the capacity to generate reliable financial information that supports managerial decision-making and enhances business accountability.

The increasingly competitive business environment requires MSMEs to adopt more professional financial management practices. High-quality financial information enables business owners to evaluate operational performance, monitor cash flows, plan investments, estimate future risks, and improve access to formal financing institutions. Furthermore, standardized financial statements serve as an essential accountability mechanism for creditors, investors, government agencies, and other stakeholders by increasing transparency and reducing information asymmetry. Previous studies have consistently demonstrated that sound accounting practices contribute to business sustainability, operational efficiency, and improved financial performance, particularly among small enterprises that rely heavily on internal decision-making processes (Ikatan Akuntan Indonesia [IAI], 2018; Sumarsan, 2018; IFRS Foundation, 2023). Consequently, improving accounting quality has become an essential component of strengthening MSME competitiveness in the era of digital economic transformation.

Recognizing the unique characteristics and limitations of small business entities, the Indonesian Institute of Accountants (Ikatan Akuntan Indonesia) introduced the Financial Accounting Standards for Micro, Small, and Medium Entities (Standar Akuntansi Keuangan Entitas Mikro, Kecil, dan Menengah SAK EMKM), which became effective on 1 January 2018. Compared with the Financial Accounting Standards for Entities without Public Accountability (SAK ETAP), SAK EMKM provides a simpler accounting framework that is specifically designed to accommodate the financial reporting needs and capabilities of MSMEs. The standard aims to improve the quality of financial reporting while reducing reporting complexity, thereby enabling MSMEs to produce financial statements that are more transparent, comparable, and useful for economic decision-making. In addition, standardized financial reporting is expected to increase MSMEs' credibility and facilitate greater access to bank financing, investment opportunities, and government support programs (IAI, 2018).

Despite these expected benefits, empirical evidence indicates that the implementation of SAK EMKM remains relatively limited across Indonesian MSMEs. Many business owners continue to rely on simple cash-based bookkeeping systems that merely record daily receipts and expenditures without properly classifying accounts or preparing standardized financial statements. Such practices reduce the reliability and usefulness of financial information for evaluating business performance, measuring profitability, and fulfilling financial reporting requirements imposed by banking institutions and government agencies. This condition suggests that the availability of accounting standards alone is insufficient to improve financial reporting quality unless accompanied by adequate accounting competence and organizational

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support. Several studies have reported that limited accounting literacy, insufficient training, and weak managerial commitment remain the primary barriers preventing MSMEs from fully implementing SAK EMKM (Nuvitasari et al., 2019; Maryanti, 2020; Ibrahim et al., 2023).

Among the various determinants influencing accounting standard implementation, the accounting recording system has received considerable attention in recent years. An effective accounting recording system enables every business transaction to be systematically documented, processed, and summarized into reliable financial reports that accurately reflect organizational performance. Conversely, manual and unstructured bookkeeping practices increase the likelihood of recording errors, incomplete financial information, and inconsistencies in financial statement preparation. The rapid development of digital accounting applications has provided MSMEs with new opportunities to improve financial management efficiency through automated bookkeeping, real-time reporting, and integrated financial data management. However, the adoption of digital accounting systems among Indonesian MSMEs remains uneven, particularly among family-owned and traditional enterprises that continue to rely on conventional bookkeeping methods because of limited technological capability and financial literacy (Falila & Khoirina, 2024). Therefore, understanding the relationship between accounting recording systems and SAK EMKM implementation remains an important research issue requiring further empirical investigation.

Another critical factor influencing the successful implementation of SAK EMKM is the accounting knowledge possessed by MSME owners and managers. Accounting understanding reflects an individual's ability to recognize business transactions, classify financial accounts, prepare financial statements, and interpret accounting information for managerial decision-making. Entrepreneurs with adequate accounting literacy are generally more capable of producing reliable financial reports and complying with applicable accounting standards. In contrast, limited accounting knowledge often leads business owners to perceive bookkeeping merely as an administrative obligation rather than a strategic management tool. As a result, financial reporting is frequently performed inconsistently, lacks standardized procedures, and fails to provide meaningful information for business planning and performance evaluation. Previous empirical studies have consistently identified accounting literacy as one of the strongest predictors of financial reporting quality and accounting standards adoption among MSMEs (Sularsih & Sobir, 2019; Maryanti, 2020; Ibrahim et al., 2023). These findings indicate that improving accounting competencies remains fundamental to strengthening financial governance within small businesses.

Beyond technical accounting competence, organizational readiness also plays a decisive role in determining whether MSMEs are capable of adopting standardized accounting practices. Organizational readiness encompasses the availability of financial and human resources, management commitment, technological infrastructure, supporting facilities, and the willingness to modify long-established business routines. The implementation of accounting standards often requires significant organizational adjustments, including changes in bookkeeping procedures, employee responsibilities, and managerial decision-making processes. Consequently, enterprises that possess higher levels of organizational readiness are

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generally more capable of implementing accounting innovations successfully than those lacking sufficient institutional capacity. Conversely, inadequate preparation may result in superficial compliance, where accounting standards are adopted merely to satisfy administrative requirements without improving financial management practices. Therefore, government training programs, professional mentoring, and continuous technical assistance remain essential for strengthening MSME readiness and ensuring the sustainable implementation of SAK EMKM (Widorojati, 2022).

Agam Regency, West Sumatra, represents one of Indonesia's prominent centers of traditional creative industries through the production of Songket Koto Gadang, a handwoven textile recognized for its high cultural, artistic, and economic value. Beyond functioning as a commercial commodity, Songket weaving constitutes an important element of Indonesia's cultural heritage that has been preserved across generations through family-based production systems. Nevertheless, the predominance of household-scale enterprises has resulted in relatively informal business management practices, particularly regarding financial administration and accounting. Financial records are commonly maintained only to monitor daily cash inflows and outflows, while comprehensive accounting procedures and standardized financial statements remain uncommon. Consequently, many Songket MSMEs encounter difficulties in evaluating business performance, calculating production costs accurately, obtaining external financing, and demonstrating financial accountability to financial institutions. These circumstances highlight the urgent need to improve accounting practices among traditional craft-based MSMEs to strengthen both business sustainability and cultural preservation.

Previous studies have reported that accounting recording systems, accounting understanding, and organizational readiness significantly influence the implementation of SAK EMKM among MSMEs. However, existing empirical evidence has predominantly focused on general MSME sectors, including trade, food and beverage businesses, manufacturing, and service industries. Comparatively little attention has been devoted to traditional creative industries whose business characteristics differ substantially from those of conventional commercial enterprises. Cultural heritage-based MSMEs typically operate on a smaller scale, rely heavily on family labor, employ less formal organizational structures, and possess limited managerial and technological capabilities. These distinctive characteristics may alter the relative importance of accounting recording systems, accounting knowledge, and organizational readiness in determining successful accounting standards implementation. Consequently, empirical findings derived from other business sectors cannot be generalized directly to traditional craft enterprises, thereby revealing an important research gap that warrants further investigation.

Based on these considerations, this study aims to examine the effects of accounting recording systems, accounting understanding, and MSME readiness on the implementation of SAK EMKM among Songket Koto Gadang MSMEs in Agam Regency, West Sumatra. Unlike previous studies that mainly investigated general MSMEs, this research focuses specifically on traditional craft-based enterprises characterized by unique organizational, managerial, and cultural contexts. By addressing this underexplored setting, the study extends the existing literature on accounting standards adoption in MSMEs while providing empirical evidence regarding the determinants of SAK EMKM implementation within cultural heritage industries. The findings are expected to contribute theoretically to the accounting and MSME governance literature by enriching current understanding of accounting standard adoption in traditional enterprises. Practically, the results may assist policymakers, the Indonesian Institute of Accountants, financial institutions, local governments, and MSME development agencies in designing more effective accounting literacy programs, technical assistance initiatives, and financial capacity-building strategies that promote sustainable business development and improve the quality of financial reporting among Indonesian MSMEs.

LITERATURE REVIEW

Theoretical Background

The implementation of accounting standards in Micro, Small, and Medium Enterprises (MSMEs) is influenced not only by regulatory requirements but also by the organization's internal capability to manage its available resources effectively. The Resource-Based View (RBV) theory posits that organizations achieve sustainable competitive advantage by utilizing valuable, rare, inimitable, and non-substitutable resources (Barney, 1991). Within the context of MSMEs, these strategic resources extend beyond physical assets and financial capital to include accounting information systems, the accounting competencies of business owners, and organizational readiness to adopt improved managerial practices. Accordingly, the implementation of the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) can be viewed as an outcome of MSMEs' ability to integrate and leverage these internal resources effectively.

To improve the quality of financial reporting among MSMEs, the Indonesian Institute of Accountants (Ikatan Akuntan Indonesia) introduced the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM), which became effective on 1 January 2018. Compared with other Indonesian financial reporting standards, SAK EMKM provides a simplified accounting framework specifically designed to accommodate the operational characteristics and limited administrative capacity of MSMEs. The standard requires MSMEs to prepare a statement of financial position, an income statement, and notes to the financial statements using standardized accounting principles. Consequently, SAK EMKM is expected to improve the reliability, relevance, comparability, and transparency of financial information while facilitating better managerial decision-making and increasing access to external financing (Ikatan Akuntan Indonesia, 2018).

One of the primary determinants of successful SAK EMKM implementation is the quality of the accounting recording system employed by the enterprise. A well-designed accounting recording system enables business transactions to be recorded consistently and systematically, thereby facilitating account classification, measurement, and the preparation of financial statements in accordance with applicable accounting standards. Conversely, bookkeeping practices that rely solely on manual records or the owner's memory often produce incomplete and inaccurate financial information, reducing the usefulness of financial reports for evaluating business performance and supporting strategic decisions. Therefore, an effective accounting recording system constitutes the fundamental basis for producing transparent, accountable, and reliable financial reports.

In addition to accounting recording systems, accounting understanding plays a critical role in determining the ability of MSME owners to implement SAK EMKM appropriately. Accounting understanding refers to an individual's capability to identify business transactions, classify accounts, prepare financial statements, and interpret accounting information for decision-making purposes. Entrepreneurs possessing higher levels of accounting literacy are generally more capable of applying the recognition, measurement, presentation, and disclosure principles required by accounting standards. Conversely, limited accounting knowledge frequently results in unsystematic bookkeeping practices, thereby reducing the quality, consistency, and credibility of financial information generated by MSMEs.

The implementation of accounting standards also depends on organizational readiness. Organizational readiness extends beyond technical capability to encompass management commitment, the availability of competent human resources, supporting facilities, technological infrastructure, and the willingness to modify existing financial management practices. MSME owners with greater organizational readiness are more likely to adopt accounting innovations, participate in professional training, and implement SAK EMKM consistently over time. In contrast, insufficient readiness often becomes one of the primary obstacles to the successful adoption of accounting standards within small businesses. Therefore, strengthening organizational readiness is essential for ensuring the long-term sustainability of accounting standard implementation.

Previous empirical studies consistently indicate that accounting recording systems, accounting understanding, and organizational readiness are among the most influential determinants of SAK EMKM implementation. These three factors complement one another in strengthening the internal capabilities of MSMEs and improving the quality of financial reporting. Consequently, enhancing financial reporting quality cannot rely solely on the establishment of accounting regulations but also requires continuous efforts to improve accounting competencies, organizational preparedness, and institutional support to ensure the effective implementation of accounting standards.

Hypothesis Development

Accounting Recording Systems and the Implementation of SAK EMKM

The accounting recording system represents the initial stage of the financial reporting process. A systematic recording system generates accurate, complete, and reliable financial information, thereby facilitating the preparation of financial statements in accordance with SAK EMKM requirements. Conversely, inadequate bookkeeping systems often produce incomplete financial reports that fail to comply with established accounting standards. Previous studies have consistently reported that effective accounting recording practices positively influence the

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quality of financial reporting and increase compliance with accounting standards among MSMEs. Based on these arguments, the first hypothesis is formulated as follows:

H1: *Accounting recording systems positively influence the implementation of SAK EMKM.*

Accounting Understanding and the Implementation of SAK EMKM

Accounting understanding enables MSME owners to recognize financial reporting not merely as an administrative requirement but as an essential managerial tool for planning, controlling, and evaluating business performance. Entrepreneurs with stronger accounting knowledge are more capable of applying accounting principles related to recognition, measurement, presentation, and disclosure in accordance with SAK EMKM. Consequently, greater accounting understanding is expected to improve the implementation of accounting standards within MSMEs. Therefore, the second hypothesis is proposed as follows:

H2: *Accounting understanding positively influences the implementation of SAK EMKM.*

MSME Readiness and the Implementation of SAK EMKM

Organizational readiness reflects the capability of MSMEs to accept organizational change, allocate adequate resources, and establish managerial commitment to implementing accounting standards. Enterprises possessing greater readiness in terms of knowledge, human resources, financial capability, and organizational commitment are expected to adopt SAK EMKM more effectively than those lacking such readiness. Therefore, the third hypothesis is formulated as follows:

H3: *MSME readiness positively influences the implementation of SAK EMKM.*

Simultaneous Effects of Accounting Recording Systems, Accounting Understanding, and MSME Readiness

The implementation of SAK EMKM is influenced by multiple organizational factors operating simultaneously. Accounting recording systems provide structured financial information, accounting understanding ensures compliance with accounting principles, and organizational readiness supports the sustainable adoption of accounting practices. These three factors collectively strengthen MSMEs' internal capabilities in producing high-quality financial reports. Accordingly, this study also examines their simultaneous influence on SAK EMKM implementation.

H4: *Accounting recording systems, accounting understanding, and MSME readiness simultaneously have a positive effect on the implementation of SAK EMKM.*

METHOD

This study employed a quantitative approach using an explanatory survey design to examine the effects of accounting recording systems, accounting understanding, and MSME readiness on the implementation of the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). A quantitative explanatory approach was selected because it enables the investigation of causal relationships among variables through inferential statistical analysis based on empirical data collected from MSME owners and managers.

The research was conducted among Songket Koto Gadang MSMEs located in Nagari Koto Gadang, Agam Regency, West Sumatra, Indonesia. This research site was selected because it is one of the country's most prominent traditional Songket weaving centers, recognized for its cultural heritage and economic significance. Despite its potential, many enterprises within this sector continue to experience challenges in preparing financial statements that comply with SAK EMKM. Data collection was carried out from May to July 2025.

The study population comprised all active Songket Koto Gadang MSMEs operating within the study area. Since the exact number of active enterprises was not officially documented, purposive sampling was employed to select respondents based on three inclusion criteria: (1) the respondent was the owner or active manager of a Songket Koto Gadang MSME; (2) the enterprise had been operating for at least one year, ensuring sufficient experience in business financial management; and (3) the respondent voluntarily agreed to participate in the study. The sample size was determined based on Roscoe's guideline, which recommends a sample ranging from 30 to 500 respondents for multivariate research or at least ten times the number of variables analyzed (Sekaran & Bougie, 2019). Given the four research variables included in this study, the minimum recommended sample size was 40 respondents. To enhance statistical reliability and improve data representativeness, this study collected data from 100 respondents.

Primary data were obtained through structured questionnaires administered directly to the selected respondents. To complement the survey findings and provide a more comprehensive understanding of business practices, field observations and documentation were also conducted. Observations focused on the financial management activities of the enterprises, while documentation was used to examine existing bookkeeping practices and other relevant financial records.

The research instrument employed a five-point Likert scale ranging from 1 (*strongly disagree*) to 5 (*strongly agree*). All measurement items were adapted from previously validated studies to ensure conceptual consistency and content validity. The operational definitions of the research variables are presented in Table 1.

Table 1. Operational Definition of Research Variables

Variable	Indicators	Number of Items	Measurement Scale	References
Accounting Recording System (X_1)	Accounting cycle; bookkeeping methods	4	Five-point Likert Scale	Purnomo & Adyaksana (2021); Notoatmodjo (2014)
Accounting Understanding (X_2)	Basic accounting knowledge; understanding of SAK EMKM	4	Five-point Likert Scale	Pulungan et al. (2019); Sarkar et al. (2022)
MSME Readiness (X_3)	Organizational readiness; supporting facilities	2	Five-point Likert Scale	Kartika et al. (2021); Pulungan et al. (2019)

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SAK EMKM Implementation (Y)	Financial statement preparation; presentation of accounting information	4	Five-point Likert Scale	Ikatan Akuntan Indonesia (2018)

Source: Adapted from previous studies.

The quality of the research instrument was evaluated through validity and reliability testing. Construct validity was assessed using the Pearson Product-Moment correlation test, where each item was considered valid if its correlation coefficient exceeded the critical value at the 5% significance level. Instrument reliability was evaluated using Cronbach's Alpha coefficient. Following the recommendation of Hair et al. (2022), a Cronbach's Alpha value of 0.70 or higher indicates satisfactory internal consistency, whereas values between 0.60 and 0.69 are considered acceptable for exploratory research.

Data analysis was performed using IBM SPSS Statistics version 26. Descriptive statistics were initially employed to summarize respondents' demographic characteristics and describe the distribution of responses for each research variable. Prior to hypothesis testing, several classical assumption tests were conducted to ensure that the regression model satisfied the assumptions of the Best Linear Unbiased Estimator (BLUE). These tests included the Kolmogorov–Smirnov test for normality, Tolerance and Variance Inflation Factor (VIF) for multicollinearity, residual scatterplot analysis for heteroscedasticity, and the Durbin–Watson statistic for autocorrelation.

The relationships among accounting recording systems, accounting understanding, MSME readiness, and the implementation of SAK EMKM were analyzed using multiple linear regression. The regression model is expressed as follows:

$$Y=\alpha+\beta1X1+\beta2X2+\beta3X3+\varepsilon$$

where Y represents the implementation of SAK EMKM; X_1 denotes the accounting recording system; X_2 represents accounting understanding; X_3 refers to MSME readiness; α is the regression constant; β_1–β_3 are the regression coefficients; and ε denotes the error term.

Hypothesis testing was conducted using both partial and simultaneous significance tests. The *t*-test was employed to examine the individual effect of each independent variable on the implementation of SAK EMKM, whereas the *F*-test was used to assess the simultaneous effects of all independent variables. Statistical significance was evaluated at the 5% significance level (α = 0.05). Furthermore, the Adjusted R^2 value was used to determine the explanatory power of the regression model in accounting for variations in the implementation of SAK EMKM among Songket Koto Gadang MSMEs.

RESULTS

Multiple Linear Regression Analysis

Multiple linear regression analysis was conducted to examine the effects of accounting recording systems, accounting understanding, and MSME readiness on the implementation of

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the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). Based on the regression analysis, the estimated regression equation is as follows:

[Y = 18.307 - 0.155X_1 - 0.262X_2 + 0.464X_3]

where Y represents the implementation of SAK EMKM, X_1 denotes the accounting recording system, X_2 refers to accounting understanding, and X_3 represents MSME readiness.

The regression equation indicates that the accounting recording system and accounting understanding have negative regression coefficients, whereas MSME readiness exhibits a positive regression coefficient. These findings suggest that increases in accounting recording systems and accounting understanding are associated with lower levels of SAK EMKM implementation, while greater MSME readiness is associated with higher levels of implementation. Although the directions of the relationships differ, all three independent variables demonstrate statistically significant associations with SAK EMKM implementation based on their respective significance values.

Table 3. Multiple Linear Regression Results

Variable	**Regression Coefficient (B)**	**t-value**	**p-value**
Constant	18.307	6.482	0.000
Accounting Recording System (X_1)	-0.155	-2.164	0.033
Accounting Understanding (X_2)	-0.262	-5.171	0.000
MSME Readiness (X_3)	0.464	2.546	0.013

Source: Processed using IBM SPSS Statistics Version 26.

Hypothesis Testing

The partial hypothesis testing (t-test) indicates that the accounting recording system significantly influences the implementation of SAK EMKM ($\beta = -0.155$, $t = -2.164$, $p = 0.033$). Since the significance value is below the 0.05 threshold, Hypothesis 1 is statistically supported. However, the negative regression coefficient indicates that the empirical relationship is opposite to the initially proposed theoretical direction, suggesting that improvements in existing accounting recording practices do not necessarily correspond to higher levels of SAK EMKM implementation among the surveyed MSMEs.

Similarly, accounting understanding significantly affects the implementation of SAK EMKM ($\beta = -0.262$, $t = -5.171$, $p < 0.001$). Therefore, Hypothesis 2 is statistically supported. Nevertheless, the negative coefficient suggests an inverse relationship, indicating that respondents with higher accounting understanding did not necessarily demonstrate greater implementation of SAK EMKM. This finding implies that accounting knowledge alone may be insufficient to ensure compliance with accounting standards without adequate organizational support and practical implementation capacity.

In contrast, MSME readiness demonstrates a positive and statistically significant influence on the implementation of SAK EMKM ($\beta = 0.464$, $t = 2.546$, $p = 0.013$). Accordingly, Hypothesis 3 is supported. The positive regression coefficient indicates that enterprises exhibiting greater organizational readiness including management commitment, resource availability, and preparedness for organizational change are more likely to implement SAK EMKM successfully. This result highlights organizational readiness as one of the most influential drivers of accounting standards adoption among Songket Koto Gadang MSMEs.

The simultaneous significance test (F-test) produced a significance value below 0.05, indicating that accounting recording systems, accounting understanding, and MSME readiness collectively have a significant effect on the implementation of SAK EMKM. Therefore, Hypothesis 4 is supported, confirming that the three independent variables jointly explain variations in the implementation of accounting standards among the sampled MSMEs.

Furthermore, the regression model yielded an Adjusted R^2 value of 0.272, indicating that 27.2% of the variation in SAK EMKM implementation can be explained by the combined effects of accounting recording systems, accounting understanding, and MSME readiness. The remaining 72.8% of the variance is attributable to other factors not included in the present model, such as educational background, business size, government support, adoption of information technology, managerial capability, financial literacy, and other organizational characteristics. These findings suggest that while the proposed model provides meaningful explanatory power, additional determinants should be incorporated in future studies to achieve a more comprehensive understanding of accounting standards implementation among MSMEs.

DISCUSSION

Accounting Recording Systems and the Implementation of SAK EMKM

The findings indicate that accounting recording systems have a statistically significant effect on the implementation of SAK EMKM, although the regression coefficient is negative. This result suggests that the existence of bookkeeping practices does not necessarily reflect compliance with the accounting principles prescribed by SAK EMKM. Among Songket Koto Gadang MSMEs, financial records are predominantly maintained to monitor daily cash inflows and outflows rather than to prepare standardized financial statements that comply with the recognition, measurement, presentation, and disclosure requirements established by SAK EMKM (Ikatan Akuntan Indonesia [IAI], 2018).

These findings imply that the frequency or intensity of bookkeeping activities is not always associated with higher-quality financial reporting. Although many MSME owners routinely record business transactions, they often do not complete the entire accounting cycle required to produce comprehensive financial statements. Consequently, the resulting financial information is insufficient for strategic decision-making, business performance evaluation, or meeting the documentation requirements of financial institutions. Existing bookkeeping practices therefore function primarily as administrative tools rather than as mechanisms for implementing accounting standards.

From the perspective of the Resource-Based View (RBV), accounting recording systems represent organizational resources that can generate competitive advantage when they are effectively managed and integrated into organizational capabilities (Barney, 1991). However, the mere availability of accounting systems does not automatically produce valuable accounting information. Their effectiveness depends on the organization's ability to transform transactional data into reliable financial reports that support managerial decision-making. Without adequate accounting competencies, bookkeeping systems remain limited to recording transactions instead of generating strategic financial information.

Furthermore, the findings suggest that the digitalization of bookkeeping or the adoption of accounting software alone is insufficient to improve SAK EMKM implementation unless accompanied by a thorough understanding of accounting standards and appropriate managerial practices. Therefore, improving financial reporting quality among MSMEs requires not only the provision of bookkeeping systems but also continuous mentoring, technical guidance, and practical training focused on the implementation of SAK EMKM. This interpretation is consistent with reports published by the OECD (2023) and the World Bank (2022), which emphasize that strengthening MSME financial governance requires an integrated approach combining human capital development, digital transformation, and institutional support.

Accounting Understanding and the Implementation of SAK EMKM

This study also demonstrates that accounting understanding significantly influences the implementation of SAK EMKM, although the relationship is negative. This finding indicates that higher levels of accounting knowledge do not necessarily translate into greater implementation of accounting standards among MSMEs. Such a result differs from the majority of previous studies, which generally identify accounting literacy as one of the primary drivers of high-quality financial reporting.

One possible explanation is that MSME owners with greater accounting knowledge possess a deeper understanding of the complexity involved in preparing financial statements in accordance with SAK EMKM. Consequently, they tend to evaluate their existing bookkeeping practices more critically and recognize that their financial reporting has not yet fully complied with accounting standards. Conversely, entrepreneurs with limited accounting knowledge may perceive their simple bookkeeping practices as adequate for business operations, resulting in a higher subjective assessment of accounting standards implementation despite limited compliance.

These findings suggest that accounting literacy is a necessary but insufficient condition for successful accounting standards implementation. According to the Indonesian Institute of Accountants (IAI, 2018), effective implementation of SAK EMKM requires comprehensive understanding of recognition, measurement, presentation, and disclosure principles. Therefore, improving accounting knowledge should be complemented by practical training, continuous mentoring, and opportunities for MSME owners to apply accounting concepts in real business settings. The gap between conceptual knowledge and practical implementation remains one of the principal challenges facing MSMEs in adopting standardized financial reporting.

From the perspective of Human Capital Theory, knowledge represents a valuable asset that enhances individual productivity and organizational performance. Nevertheless, the benefits of knowledge can only be realized when supported by favorable organizational conditions, appropriate technological infrastructure, and institutional policies that facilitate the practical application of acquired competencies. Accordingly, the negative relationship observed in this study suggests that the influence of accounting understanding on SAK EMKM implementation is likely mediated or moderated by organizational factors that were not examined within the present research model.

MSME Readiness and the Implementation of SAK EMKM

Unlike the previous two variables, MSME readiness demonstrates a positive and statistically significant effect on the implementation of SAK EMKM. This finding confirms that organizational readiness is a critical determinant of successful accounting standards adoption among MSMEs. Enterprises that possess adequate knowledge, strong managerial commitment, competent human resources, and sufficient supporting facilities are more capable of adopting standardized financial reporting practices than enterprises lacking such readiness.

The results are consistent with the concept of Organizational Readiness for Change, which argues that the successful implementation of organizational innovations depends largely on the willingness and capability of individuals and organizations to embrace change. Organizational readiness encompasses confidence in the benefits of change, perceived capability to implement new practices, and the availability of adequate organizational resources. Within the context of this study, MSME readiness appears to play a more decisive role in promoting SAK EMKM implementation than accounting recording systems or accounting understanding alone.

From a practical perspective, these findings underscore the importance of strengthening MSME assistance programs through continuous financial reporting training, the provision of user-friendly bookkeeping applications tailored to micro-enterprises, and expanded access to professional accounting advisory services. Such initiatives would enable business owners to translate their accounting knowledge into standardized financial reporting practices that comply with SAK EMKM requirements.

Integrated Effects of Accounting Recording Systems, Accounting Understanding, and MSME Readiness

The simultaneous regression analysis demonstrates that accounting recording systems, accounting understanding, and MSME readiness collectively exert a significant influence on the implementation of SAK EMKM. These findings indicate that accounting standards implementation is a multidimensional process shaped by the interaction of technical systems, individual competencies, and organizational readiness. Consequently, improving only one aspect is unlikely to produce substantial improvements in financial reporting quality unless accompanied by complementary organizational capabilities.

Despite the overall significance of the regression model, the Adjusted R^2 value of 0.272 indicates that the proposed variables explain only 27.2% of the variation in SAK EMKM implementation. This suggests that a considerable proportion of implementation outcomes is influenced by other factors not included in the present study, such as the educational background of business owners, entrepreneurial experience, business size, access to financial

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services, utilization of information technology, participation in accounting training programs, local government support, and professional mentoring. These findings reinforce the notion that the implementation of accounting standards is determined not only by internal organizational characteristics but also by the broader institutional and business environment.

From a theoretical perspective, this study extends the application of the Resource-Based View by demonstrating that the quality of financial reporting depends not merely on the possession of organizational resources but also on an enterprise's capability to integrate those resources into standardized accounting practices. Possessing accounting systems or accounting knowledge alone is insufficient unless these resources are effectively transformed into organizational capabilities that support accounting standards implementation. This perspective contributes to the growing body of literature emphasizing capability development rather than resource ownership as the primary determinant of organizational performance.

Practically, the findings suggest that strategies aimed at improving the implementation of SAK EMKM should adopt a comprehensive approach. Such strategies should include strengthening accounting competencies through continuous education and training, enhancing organizational readiness for change, developing simple and accessible bookkeeping systems tailored to MSMEs, and expanding institutional support through collaboration among local governments, the Indonesian Institute of Accountants (IAI), higher education institutions, financial institutions, and MSME development agencies. Through these coordinated efforts, MSMEs are expected to produce higher-quality financial reports, improve business accountability, and enhance their long-term competitiveness and sustainability.

CONCLUSION

This study demonstrates that accounting recording systems, accounting understanding, and MSME readiness are significant determinants of the implementation of the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) among Songket Koto Gadang MSMEs in Agam Regency, Indonesia. The findings indicate that successful implementation of SAK EMKM is not determined solely by the existence of bookkeeping systems or the level of accounting knowledge possessed by business owners. Rather, effective implementation depends largely on the organizational readiness of MSMEs to adopt standardized financial reporting practices. These results highlight that improving the quality of financial reporting requires a comprehensive approach that integrates capacity building, the enhancement of accounting recording systems, and the strengthening of organizational readiness.

From a theoretical perspective, this study contributes to the growing body of literature on SAK EMKM implementation by demonstrating that the relationship between internal organizational factors and accounting standards adoption is multifaceted and highly context-dependent. Consistent with the Resource-Based View, the findings suggest that organizational resources such as accounting systems and accounting knowledge generate value only when they are effectively integrated into organizational capabilities that support the implementation of accounting standards. Consequently, the successful adoption of SAK EMKM depends not only

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on resource availability but also on an enterprise's ability to utilize those resources strategically within its organizational context.

From a practical perspective, the findings provide valuable insights for local governments, the Indonesian Institute of Accountants (IAI), financial institutions, and MSME development agencies in designing more effective capacity-building initiatives. Future training and mentoring programs should emphasize the practical application of accounting standards through hands-on financial reporting exercises, continuous technical assistance, and organizational development rather than focusing exclusively on conceptual accounting knowledge. Strengthening institutional collaboration among government agencies, professional accounting bodies, universities, and MSME support organizations is also essential to facilitate the sustainable implementation of SAK EMKM.

This study is subject to several limitations. First, it focuses exclusively on Songket Koto Gadang MSMEs in Agam Regency, which may limit the generalizability of the findings to other business sectors or geographical contexts. Second, the regression model explains only part of the variation in SAK EMKM implementation, suggesting that additional determinants remain unexplored. Therefore, future research is encouraged to develop more comprehensive analytical models by incorporating variables such as financial literacy, digital technology adoption, business characteristics, entrepreneurial experience, institutional support, and organizational culture. Expanding the research to different MSME sectors and employing longitudinal or mixed-method approaches would also provide a more comprehensive understanding of the factors influencing the successful implementation of SAK EMKM across diverse business environments.

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