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## The Use of Accounting Information on Micro to Medium Enterprises in Manokwari

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### **Keywords :**

Business Size, Firm Age,  
Owner's Educational Level,  
Accounting Knowledge,  
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### **ABSTRACT**

*This paper aims to examine the influence of business size, firm age, owner's educational level and accounting knowledge on the use of accounting information of micro to medium enterprises in Manokwari. Research data is obtained by giving questionnaires and interviews to 35 respondents of micro to medium enterprises in Manokwari. The research findings indicate that accounting knowledge has influence on the use of accounting information of micro to medium enterprises in Manokwari. Whereas business size, firm age and owner's educational level have no influence on the use of accounting information of micro to medium enterprises in Manokwari. This paper can be used as a material consideration in improving micro to medium enterprises business in Manokwari.*

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## **INTRODUCTION**

Micro, Small and Medium Enterprises (MSMEs) play an important role in the economic development of Indonesia. According to Central Bureau of Statistics, MSMEs able to provide large numbers of employments compare to other sectors. It can absorb 99.9 percent of the workforce in Indonesia and economically contributes 59 percent to Indonesia's Gross Domestic Product (KSP, 2015). However, lack of investment capital has been one of the main problems often faced by the MSMEs since they mostly have no financial report to reflect the firm financial performance, which makes it difficult to use credit facilities offered by the Bank. A survey conducted in Manokwari, West Papua province, showed that many MSMEs do not understand nor have financial report (Mokodompit, 2014). Thus, the MSMEs cannot optimally develop. According to Wahyudi (2009), many small entrepreneurs assume that accounting implementation is not important since they have not understood the importance of accounting information for business continuity. In fact, accounting information is the basis to any business success. A successful implementation of accounting information gives variety of advantageous such as improvement in work qualities, improvement of product flow, improvement of flexibility, multifunctional ability, motivation of using software application, problem solving capability of employees, increases productivity and performance in terms of cost production, and finally increases emphasis on suppliers integration (Selahi and Abdipour, 2013).

Prior studies on factors influencing the use of accounting information system such as Fuad (2013) gave evidence that business size, firm age and owner's educational level have influence on the use of

accounting information. Similarly, studies conducted by Apriliawati and Hastuti (2011) stated that firm age have influence on the use of accounting information. Contradictory, studies by Setyowati (2011) gave evidence that business size and firm age have no influence on the use of accounting information. Studies carried by Adriani and Zuliyati (2015) also stated that business size have no influence on the use of accounting information. Further, studies by Setyowati (2011) indicates that accounting knowledge have influence on the use of accounting information system.

The mixed finding as well as the survey result is the main motivation for this study. Therefore this study is conducted to provide empirical evidence about factors influencing the use of accounting information on micro to medium enterprises in Manokwari. Thus, the objectives in this study is to examine whether (1) business size have influence on the use of accounting information system (2) firm age have influence on the use of accounting information system (3) owner’s educational level have influence on the use of accounting information system and (4) accounting knowledge have influence on the use of accounting information system.

## METHOD

This study was aimed to examine the influence of business size, firm age, owner’s educational level and accounting knowledge on the use of accounting information of micro to medium enterprises in Manokwari. The research data was obtained by giving questionnaire and interviews to 35 convenient respondents of micro to medium enterprises of industry sectors in Manokwari. The sample was selected from registered businesses operating in Manokwari. The questionnaire had five sections where each section was developed to address a specific objective. Part A was aimed at collecting data on business size, part B was on data about the firm age that is the length of time a company runs or operates its business, part C was on the owner’s educational level from the level of primary school to doctor degree, part C was on the accounting knowledge owned by micro to medium entrepreneurs, and finally part D was on the use accounting information (operational information, management accounting information, and financial information). Indicators and measurement for each section is summarise below in Table I.

TABLE I  
OPERATIOAL DEFINITION AND VARIABLE MEASUREMENT

Variable	Indicator	Scale
The Use of Accounting Information (Dependent Variabel)	The use of operational information, the use of management accounting information, and the use of financial information.	Likert
Business Size (Independent Variable)	Number of employees.	Nominal
Firm Age (Independent Variable)	The length of time a company runs or operates its business.	Nominal
Owner’s Educational Level (Independent Variable)	Below senior high (1), senior high (2), bachelor degree (3), master degree (4) and doctor degree (5).	Nominal
Accounting Knowledge (Independent Variable)	Declarative knowledge of basic accounting.	Likert

The research data is analysed by using multiple linear regression model (F-test, t-test and coefficient determination test). The model used in the study to establish the relationships between the four factors examined and the use of accounting information was presented as follows:

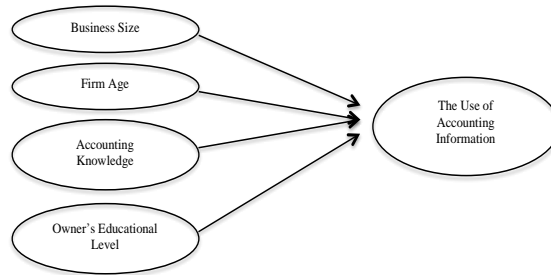


Fig. 1 Study Model

## RESULTS AND DISCUSSIONS

### Results

The questionnaires used as a data collection instrument are distributed to 35 respondents of micro to medium enterprises in Manokwari. The majority of the respondents were man (71%) and the rest were woman (29%). Moreover, the respondents between 41-50 years old were 46% followed by 23% who were between 31-40 years old, 20% who were above 50 years old and 11% between 21-30 years old.

### Validity and Reliability Test

It is shown in Table II that the instrument used in this study is valid and reliable with value significance observation of  $\alpha$  is smaller than 5 percent and the value of Cronbach's Alpha is above 0.60.

**TABLE 2**  
THE RESULT OF VALIDITY AND RELIABILITY TEST

Indicator	Correlation Value	Sig	Cronbach's Alpha
Accounting Knowledge (X4)			0.738
S1	0.511	0.002	
S2	0.444	0.008	
S3	0.702	0.000	
S4	0.571	0.000	
S5	0.662	0.000	
S6	0.604	0.000	
S7	0.533	0.001	
S8	0.659	0.000	
The Use of Accounting Information (Y)			0.761
S1	0.695	0.000	
S2	0.771	0.000	
S3	0.708	0.000	
S4	0.503	0.002	
S5	0.492	0.003	
S6	0.74	0.000	
S7	0.852	0.000	
S8	0.519	0.001	
S9	0.741	0.000	
S10	0.624	0.000	
S11	0.829	0.000	
S12	0.613	0.000	
S13	0.642	0.000	
S14	0.642	0.000	

Source: calculated primary data  
Multiple Linear Regression Analysis

The research data is analysed by using multiple regression analysis to determine the influence of business size, firm age, educational level and accounting knowledge on the use of accounting information of micro to medium enterprises in Manokwari. The analysis result can be seen in Table III below:

**TABLE 3**  
HYPOTHESIS TEST RESULT

Model	t	Sig.	Result
(Constant)	1.667	0.106	
Business Size	0.174	0.863	Reject H1
Firm Age	0.838	0.408	Reject H2
Educational Level	0.598	0.555	Reject H3
Accounting Knowledge	2.675	0.012	Accept H4
F-Test	3.666	0.015 <sup>a</sup>	Feasible
Adjusted R Square	0.239		

Source: calculated primary data

#### F-Test Result

Based on the results of data presented in Table III, it is shown that the calculated value of F is 3.666 with a significant probability of 0.015 which is smaller than 0.05. Thus, the estimated regression model used in this study can be used to predict factors (business size, firm age, educational level, accounting knowledge) influencing the use of accounting information on micro to medium enterprises in Manokwari.

#### T-Test Result

The results in Table III show that the significance coefficient of business size is 0.863 more than 0.05. Therefore H1 is rejected, which means that business size have no influence on the use of accounting information of micro to medium enterprises. For firm age, the significance coefficient is 0.408, which is also more than 0.05. Thus, H2 is rejected meaning firm age have no influence on the use of accounting information of micro to medium enterprises. Similarly with educational level also have no influence on the use of accounting information of micro to medium enterprises since the value of significance coefficient is more than 0.05 that is 0.555. Thus, H3 is rejected. Moreover, accounting knowledge has the value of significance coefficient of 0.012, which is less than 0.05. Which means H4 is accepted or in other words accounting knowledge has influence on the use of accounting information of micro to medium enterprises.

#### Coefficient Determination

Based on the result in Table III, it is shown that the influence of business size, firm age, educational level and accounting knowledge on the use of accounting information of micro to medium enterprises in Manokwari is at 23.9 percent and the remaining of 76.1 percent is influenced by other factors that are not examined.

#### Discussion

Results on this study found that business size have no influence on the use of accounting information system of micro to medium enterprises in Manokwari (H1 rejected) since the significance coefficient of business size is 0.863 more than 0.05. This is due to the method used in measuring business size, which is by examining the number of employees in the company without considering the total assets nor the amount of sales of the company. Number of employees can basically describe the level of complexity of corporate activity, but not necessarily can describe the level of complexity of the company financial condition. Therefore, the possibility of changes in the number of employees does not provide an overview of the increased use of accounting

information on small to medium enterprises. This finding is similar to research finding by Solovida (2010) and Setyowati (2011) that also confirmed that business size has no influence on the use of accounting information system on small to medium enterprises.

With firm age, it was also found that firm age have no influence on the use of accounting information system of micro to medium enterprises in Manokwari (H2 rejected). For firm age, the significance coefficient is 0.408, which is also more than 0.05. This is due to stagnant activities of small to medium enterprises over the years. Therefore, as the company gets older the use of accounting information system still remain the same. Research finding by Astuti (2007) and Setyowati (2011) also indicates that firm age has no influence on the use of accounting information system of small to medium enterprises.

Similarly with owner's educational level, the data analysis shows that owner's educational level have no influence on the use of accounting information system of micro to medium enterprises in Manokwari (H3 rejected) since the value of significance coefficient is more than 0.05 that is 0.555. This is due to lack of owner's awareness of the benefits and the importance of using accounting information system. So even their level of education is high, but when they consider the use of accounting information is not important then there will be no increase in the use of accounting information on small to medium enterprises. This finding however contradicts with research finding by Aufar (2014) that indicates owner's educational level have influence on the use of accounting information system of micro to medium enterprises.

Lastly, as for accounting knowledge, this study found that there is an influence of accounting knowledge on the use of accounting information system of small to medium enterprises, with the value of significance coefficient of 0.012, which is less than 0.05 (H4 is accepted). This means that by having a good accounting knowledge, the use of accounting information in the business will also increase. This finding supports research findings by Fitriyah (2006) and Setyowati (2011) that also shows that accounting knowledge have influence on the use of accounting information system of small to medium enterprises.

## **CONCLUSION AND SUGGESTION**

The study focuses on factors (business size, firm age, owner's educational level and accounting knowledge) influencing the use of accounting information on micro to medium enterprises in Manokwari. Based on the statistical results, it is known that H1, H2 and H3 were rejected meaning that business size, firm age and owner's educational level have no influence on the use of accounting information of micro to medium enterprises in Manokwari, particularly in industry sector. Meanwhile, H4 is accepted, which means that accounting knowledge have influence on the use of accounting information of micro to medium enterprises in Manokwari.

This study was limited to micro to medium enterprises in industry sector in Manokwari. In addition, this study only examined the influence of four factors (business size, firm age, educational level and accounting knowledge) on the use of accounting information. Therefore, future research can extend the proposed factors.

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