

The Use of Information Technology in Improving the Quality of Financial Report in Micro, Small and Medium Enterprises

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ABSTRACT

Micro, small and medium enterprises have an important role in the economy of a country. Although the role of micro, small and medium enterprises has been recognized nationally, these enterprises face many challenges and obstacles, especially in producing quality financial report. For this reason, this study was conducted to investigate the use of information technology in improving the quality of financial report for micro, small and medium enterprises. To achieve this goal, this study developed a structural questionnaire, which then randomly distributed to 98 micro, small, and medium enterprises in Jambi City. This study found that most businessman in micro, small and medium enterprises agree that micro, small medium enterprises need a computerized system to help record transactions to create financial reports and the importance of financial report in decision making. However, this research shows that there are still micro, small and medium entrepreneurs who do not use computers in their operational activities and still use manual systems. The results showed that many micro, small and medium enterprises have used technology to improve the quality of financial report. The use of information technology as part of digital transformation such as paperless accounting or digitalized documents that was previously done manually. In addition, micro, small and medium enterprises also use internet-based and desktop applications to improve financial reporting.

Keyword: *Use of Information Technology, Digital Transformation, Quality of Financial Reporting, Micro Small and Medium Enterprises.*

1. INTRODUCTION

Micro, small and medium enterprises (MSMEs) have an important role in the growth of a country. Currently, the number of small businesses in Indonesia has reached 93.4 percent, medium-sized businesses are at 5.1 percent, while large businesses are at 1 percent [1]. Thus, MSMEs have an impact in reducing the unemployment and income gap [2] because MSMEs are able to absorb a high number of workers [3]. It can be seen that MSME actors have contributed up to 60 percent of the national Gross Domestic Product (GDP) and absorbed 97 percent of the workforce [1].

The role of MSMEs in creativity and employment has been recognized nationally, however, MSMEs have many obstacles to be faced so that they become obstacles for MSMEs to progress. Problems often faced by

MSMEs are product or service marketing, packaging, use of information technology, financial recording and reporting, human resources, capital, and many more ([4][2]).

Financial recording and reporting problems occur because many MSMEs assume that what needs to be recorded and reported is only information on their operational activities, financial information is considered not very important. This is because MSMEs find it difficult to do financial recording and reporting. In addition, there are still MSMEs where financial records are still not neat so that it will produce incomplete, reliable and relevant information [1]. This will have an impact on the poor quality of MSME financial reporting and show that the quality of MSME financial reporting is still low [5]. The systematic preparation of financial reports

is considered not really needed in micro, small and medium enterprises, which results in most of them not making financial reports and some of them making financial reports, but they have not met accounting principles [6].

One of the ways to produce quality MSME financial reporting is the use of information technology. The use of information technology provides many benefits, including the resulting information that is accurate, detailed, reliable, completely relevant and produces timely financial and non-financial information [7] and can be used in making the right decisions [4]. In other words, the use of information technology can meet the characteristics of financial reporting, such as being accurate, reliable, comparable and understandable [8].

Several previous studies have shown that the use of MSME information technology has experienced extraordinary developments. However, only a small portion of information from the use of information technology is used by management in decision making [9]. The use of information technology in financial data management provides benefits in the form of accuracy and flexibility in preparing financial reports [10]. By utilizing information technology, the accuracy of financial data will increase. Errors that occur can be minimized with information technology. Financial reports can be presented in a timely manner because information technology helps speed up the processing of transaction data. So that financial reports can be ready on time and do not lose their quality, namely timeliness and usefulness [11].

The use of information technology can also be seen in terms of the use of accounting software. Utilization of software can be a solution for MSMEs that do not have accountants or cannot employ accountants [12]. The reason for the need for the use of information technology in addition to recording and calculating, informing information, also provides convenience in carrying out work and minimizes the risk of recording and calculation errors [13].

Based on the description above, the researcher is interested in seeing how the use of information technology in improving the quality of MSME financial reporting in Jambi City.

2. LITERATURE REVIEW

The use of information technology is the procurement of hardware (computers and printers) and software and the use of websites in financial management [14]. The use of information technology can be seen by digital

transformation. Digital transformation can be said as the concept of digitizing or reducing the use of paper (paperless) from business activities [15].

The use of information technology has a role in all fields, including in financial administration which regulates the affairs of cash inflows and outflows in a business. In addition, it helps the process of financial governance in business to achieve efficiency in terms of process, time and costs [16]. The use of information technology in terms of digitization can reduce the risk of errors in technical matters such as input errors, long processing times, and manual preparation of reports.

The advantage of utilizing information technology focuses more on paperless accounting, interfaces to external systems, data quality management, process automation, system uniforms, integrated consolidation systems, real-time reporting, transparency creation, big data analysis, tools for visualization, and computing. Cloud ([16] [17]).

3. RESEARCH METHOD

This study combines two research approaches: qualitative and quantitative. A qualitative approach is carried out through literature studies related to accounting information systems and their application to MSMEs. This literature study is used as a basis for supporting and compiling a research frame of reference and a survey questionnaire. Meanwhile, the quantitative approach is carried out through a survey using a structured questionnaire aimed at MSME managers. Both of these approaches are expected to be the basis for providing an overview of the current conditions of the implementation and utilization of accounting information systems found in MSMEs.

3.1 Data Collection

Data collection in this study was carried out by collecting literature studies and surveys. Literature studies are carried out by collecting several previous similar studies which include: research reports, journal articles and text books, both on-line and off-line. Meanwhile, the survey was conducted by distributing structured questionnaires aimed at MSME managers.

3.2 Population and Sample

The population in this study was 6190 MSMEs in Jambi City during 2019. Meanwhile, the sample survey was selected using the random sampling method. Withdrawing research samples using the formula from

Taro Yamane or Slovin in order to obtain 98 MSMEs from 6,190 MSMEs in the city of Jambi. Data collection was carried out by direct interviews with the owners or managers of MSMEs. Interviews were conducted with the assistance of a structured questionnaire, where each interview was estimated to take about 5-10 minutes per respondent.

3.3 Data Analysis

This study uses a simple statistical descriptive analysis to analyze the results of the survey questionnaire. The data analysis technique aims to provide an overview and the current situation of the use and utilization of information technology in MSMEs in Jambi City. In practice, the data that has been collected through direct interviews using a structured questionnaire will be entered and processed into the Microsoft Excel program for analysis. Data analysis was carried out using descriptive statistical data which included: frequency,

percentage, ranking and mean and simple tabulation matrix. From here it is expected to be able to provide a comprehensive picture of the use of information technology found in MSMEs in Jambi City, along with obstacles and challenges.

4. RESULTS

4.1 MSME Business Profiles

The general description related to the business profiles of the MSME respondents who were selected to be the sample of this study is as follows. Based on the results of the questionnaire shown in Figure 1, data is obtained that 50% of MSMEs are engaged in the food business, 18% are in the service sector, 15% are in other fields such as pharmacies, toys, selling building materials, accessories. 8% of MSMEs engaged in textiles / clothing, and the remaining 5% are engaged in electronics.

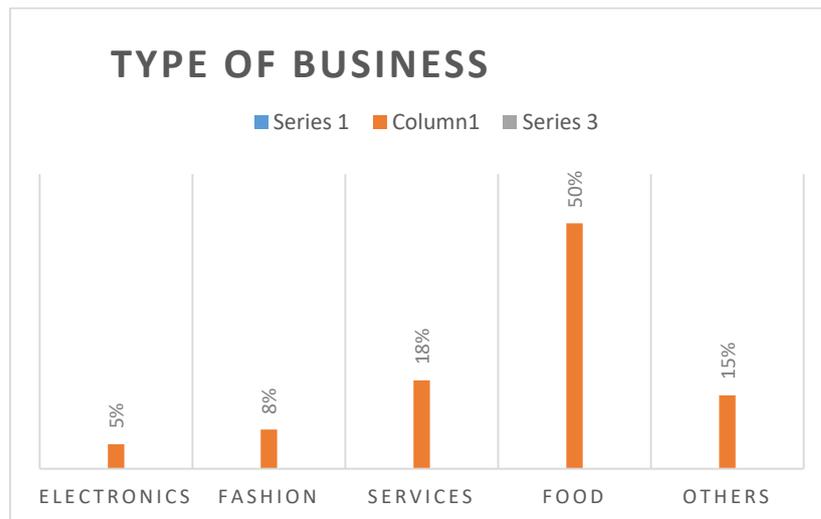


Figure 1 Type of Business

For the age of establishment of MSMEs, it is divided into 5 criteria as seen in Figure 2, namely there are 60 MSMEs aged less than 5 years, there are 11

MSMEs aged 10 years, 16 MSMEs aged 15 years, MSMEs 20 years old there are 8 MSMEs, while the remaining 3 MSMEs are more than 20 years old.

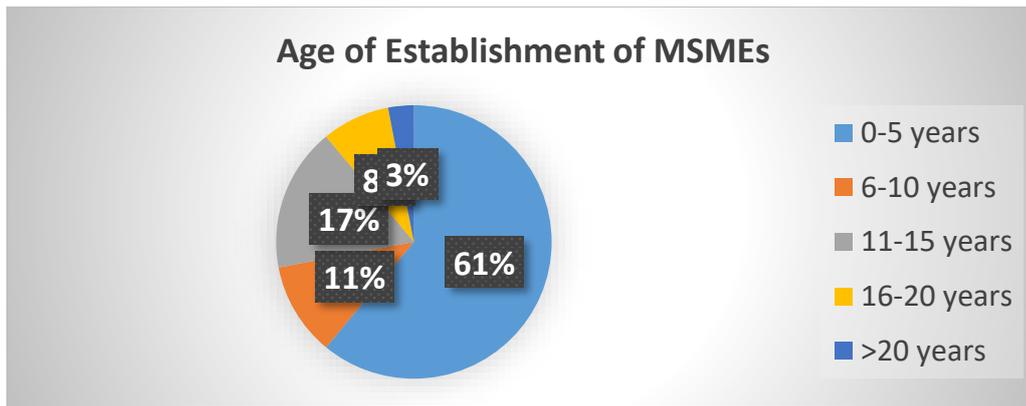


Figure 2. MSME Age

Based on the amount of sales turnover per year generated, most of the selected MSMEs are categorized as micro or small businesses. Of the 98 MSMEs, there are 72% of MSMEs that have an average annual turnover of around 0-300 million rupiah and 24% of MSMEs have an average annual turnover of between 300 million - 2.5 billion rupiah. The remaining 4% of MSMEs are

classified as medium-sized companies with an annual turnover of 2.5 - 50 billion rupiah. The same thing happened when categorizing by number of employees. Based on the number of employees employed, some of the MSMEs studied were also micro or small companies. There are 96% of the 98 MSMEs studied employ less than 20 employees, compared to only 4 MSMEs employing more than 20 employees.

Table 1. Profile UMKM

Number of Employee	Number of MSMEs	Percentage
1 – 4 people	71	72
5 – 19 people	23	24
20 – 99 people	4	4
Total	98	100
Turnover estimates (Rp)		
0 – 300 million	75	77
>300 million – 2,5 billion	21	21
>2,5 billion – 50 billion	2	1
Total	98	100

Sources: Data Processed

Most of the individual respondents in this study are in accordance with the focus expected by this study, namely MSME owners. Of the 98 MSMEs studied, there were 89 respondents who were the direct owners of the business and 9 respondents who were employees of the UMKM. According to gender or gender, these individual respondents were mostly dominated by women with 64% (63 people), compared to only 36% of male respondents (35 people). In terms of age, the majority of these individual respondents were under 35 years old, as many as 75%, (74 people) followed by 13% (13 people) who were 35-45 years old. While the rest, only 11% (22 people) are young over 45 years old. Finally, based on the last level of education completed, the majority of these individual respondents have a higher education level,

namely: 59 people with high school education, 7 people with Diploma and equivalent education (D1 / D2 / D3), and 26 people with a Bachelor degree (S1). The rest have Masters (S2) education as many as 6 people.

4.2 Use of Information Technology to Improve the Quality of MSME Financial Reporting

Utilization of Information Technology can be seen from the use of hardware in MSMEs in Jambi City, indicating that around 72% have used hardware (computers and the like) in carrying out their activities. Most MSMEs that carry out their activities using computers are intended only to recap transaction data (30.7%), followed by 24% use computers for all their

business activities including those related to financial reporting, as a means of making payment transactions made at the cashier (9.3%), and the remaining 8% is only used to record orders. However, from the results of the questionnaire, MSME actors agree that MSMEs need a computerized system to help record transactions to create financial reports.

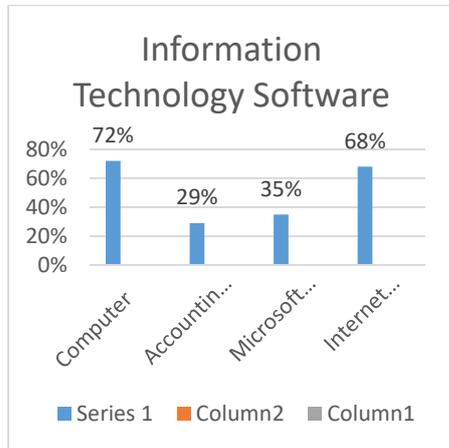


Figure 3 The Use of Information Technology Software

Utilization of the internet network shows that 68% of MSMEs have used the internet network as a link in sending and receiving the required information. Furthermore, in software application there are 29% of MSMEs operating accounting software in recording transactions to produce financial reports. The most widely used accounting software are MYOB and Zahir. The use of accounting software has benefits, from the side of recapping transaction data to the ease of making complete financial reports and being integrated with one another. MSMEs that use desktop-based applications, namely ms. office is around 35%. This application only helps MSMEs to recap transaction data but does not help in making financial reports easily and completely. This application can only help MSMEs make simple financial reports and requires users to remember the mathematical formulas in the application.

4.3 Conditions for Using Information Technology to Improve the Quality of MSME Financial Reporting

In financial reporting at MSMEs, most of them understand accounting guidelines and procedures well. Of the 98 MSMEs that carry out financial reporting in accordance with the guidelines and procedures there are 64% (63 MSMEs), 33% (25 MSMEs) whose records are carried out simply, and the remaining 3% (10 MSMEs) whose exact quality of financial reporting is not done.

The activities of financial recording / accounting and financial reporting that are periodically carried out and made by MSMEs are generally all activities that directly involve financial transaction activities. 64% of the 98 MSMEs conducted periodic and complete financial records and reporting, and the remaining 36% did incomplete periodic financial records and reporting.

The information generated from financial reporting can determine the decisions taken. Of the 98 MSMEs, 64% of MSMEs obtained information from financial reporting that was useful in making decisions, 3% of MSMEs stated that they did not make decisions from financial reporting information, and the remaining 33% did not always use financial reporting information in making decisions.

4.4 Key Factors for the Use of Information Technology in Improving the Quality of MSME Financial Reporting

There are several key factors in the use of information technology to improve the quality of MSME financial reporting, including:

1. Employees in accounting and finance. For MSMEs that have been established for more than 5 years, they have employees in the accounting and finance fields. However, MSMEs that have a standing age of 0-5 years still do not have employees who handle MSME accounting and finance. This happens because the business is still in the development stage, so the business owner handles his own finances. The solution to this is to use an internet-based application and / or an easy-to-use desktop-based application, such as Ms. Office, Zahir simply.
2. There is a need for additional capital. The existence of additional capital in MSMEs has the aim of expanding its business, usually by applying for credit to banks or by submitting funds to investors. With the use of information technology, MSMEs can make complete and accurate financial reports.

4.5 Digitalization Transformation in Improving the Quality of MSME Financial Reporting

Kreher et al [16] stated that the use of information technology is part of the digitalization transformation.

There are 11 recommended digital solutions to improve the quality of financial reporting offered, including paperless accounting, Interfaces to (external) systems, Management of data quality, Process automation, Uniformity of systems, Integrated consolidation system, Real-time reporting, Creation of transparency, Big data analyses, Tools for visualization, Cloud computing. Among the 11 digital solutions offered, Jambi City MSMEs have implemented 2 digital solutions, namely:

1. Paperless accounting, recording transactions, orders, payments, etc. no longer uses paper but uses a computer. The issuance of proof of payment does not always have to be printed on paper but can also be sent via e-invoice to the customer. This is done for documenting digitally, so that all data is imprinted on the computer.
2. Cloud computing, the application of cloud computing is carried out using applications and internet networks. Most of the MSMEs utilize the internet and software applications and desktop applications to improve financial reporting. The use of cloud technology aims to perform financial reporting anywhere.

5. CONCLUSION

Based on the results of research and discussion, it can be concluded that the use of technology can improve the quality of financial reporting. The use of technology makes it easy for MSMEs in terms of speed of financial reporting, data accuracy, and ease in making financial reports. Most of the MSMEs in the city of Jambi have used paperless accounting technology which was previously done manually such as making invoices and other things related to recording. The use of cloud computing can reduce costs, access geographically unrestricted, improve performance, unlimited data storage, and allow MSMEs to share their financial information with related parties in real-time.

6. SUGGESTION

Based on the results of research and discussion, a socialization and training on the use of information technology is needed to improve the quality of financial reporting. So that the digitalization transformation recommendations offered by Kreher et al [16] can be applied to all of the UMKM Jambi City.

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