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Accounting Understanding and Financial Statement Quality among Micro Business Owners in Central Rappang Gold Market

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Abstract

Purpose: This study examines the effect of micro business owners' accounting understanding on the quality of financial statement preparation among gold traders in Central Rappang Market, Sidenreng Rappang Regency.

Research Methodology: A quantitative survey with purposive sampling was employed. The sample consisted of 50 gold traders operating in Central Rappang Market. Data were collected using a structured questionnaire with a five-point Likert scale and analyzed through validity and reliability tests, followed by simple linear regression using IBM SPSS Statistics 25.

Results: The measurement instruments were valid and highly reliable, with Cronbach's Alpha values of 0.960 for accounting understanding and 0.950 for financial statement quality. The regression equation was **Y = 21.727 + 0.507X**. The calculated **t-value (4.434)** exceeded the **critical value (2.010)** with a significance level of **0.000**, indicating that accounting understanding has a positive and significant effect on financial statement quality. The coefficient of determination (**R^2 = 0.291**) shows that accounting understanding explains 29.1% of the variation in financial statement quality.

Conclusions: Improving accounting understanding among micro business owners is essential for enhancing the quality of financial statements and strengthening MSME financial management.

Limitations: This study was limited to a single research location and only one independent variable. Therefore, the findings should be generalized with caution.

Contribution: This study extends the literature on MSME accounting by providing empirical evidence from gold traders and supports accounting literacy programs based on the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM).

Keywords: *Accounting Understanding, Financial Report Quality, Gold Traders, MSMEs, MSME Financial Accounting Standards*

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1. Introduction

Micro, small, and medium enterprises (MSMEs) play a vital role in Indonesia's economy. According to the Ministry of Cooperatives and SMEs of the Republic of Bank (2022), the number of MSMEs in Indonesia has exceeded 65.4 million business units. MSMEs contribute approximately 61.07% of the country's Gross Domestic Product (GDP) and employ more than 97% of the national workforce. This substantial contribution highlights the importance of MSMEs as a key pillar of national and regional economic development, making their sustainability and business management a major concern for policymakers and stakeholders.

Among MSMEs, gold traders represent a unique business sector with an important role in local economies. In addition to selling consumer products, gold traders serve as providers of a store of value because gold is generally regarded as a stable asset and an effective hedge against inflation (Singh & Joshi, 2019). In Sidenreng Rappang Regency, South Sulawesi Province, gold trading activities are concentrated in Central Rappang Market, one of the region's primary commercial centers. Daily gold trading transactions contribute significantly to local economic activity, making the sustainability of these businesses essential to regional economic development (Pian, & Santosh, 2020; (Andayani, Hendri, & Suyanto, 2021)).

Despite their strategic role, gold traders face considerable challenges in financial management, particularly in maintaining accounting records and preparing financial statements in accordance with accepted accounting standards. Bank (2022) reported that only 19.2% of Indonesian MSMEs prepare financial statements that comply with recognized accounting standards, while the majority continue to rely on simple and informal bookkeeping practices. This condition reflects a substantial gap between the need for reliable financial information and MSME owners' ability to produce standardized financial reports. The limited adoption of standardized financial reporting is closely related to inadequate access to continuous accounting training and mentoring. Existing financial literacy programs provided by government institutions and financial organizations generally offer broad-based training and rarely address the specific needs of individual business sectors (Saviano, Nenci, & Caputo, 2017), including gold trading businesses, which have distinctive transaction characteristics and accounting practices. Consequently, many business owners who are willing to improve their financial reporting lack sufficient technical guidance, causing non-standard bookkeeping practices to persist.

The quality of MSME financial statements is strongly associated with business owners' accounting understanding. Rudiantoro and Siregar (2012) argued that owners' accounting knowledge is a key determinant of financial reporting quality. When business owners lack sufficient knowledge of accounting procedures, transaction recording, and financial statement preparation, business records tend to be incomplete, inconsistent, and often mixed with personal finances (Roslan, Pauzi, Ahmad, Shamsudin, Karim, & Ibrahim, 2018; Aladejebi, & Oladimeji, 2019). Such conditions hinder effective business decision-making, including pricing strategies, inventory planning, loan applications, and performance evaluation. To facilitate financial reporting among MSMEs, the Indonesian Institute of Accountants (*Ikatan Akuntan Indonesia*/IAI) introduced the Financial Accounting Standards for Micro, Small, and Medium Entities (*Standar Akuntansi Keuangan Entitas Mikro, Kecil, dan Menengah*/SAK EMKM), effective January 1, 2018. These standards were specifically designed to simplify accounting practices for small businesses. However, their implementation remains limited. Kusuma and Lutfiany (2018) found that many MSME owners were unaware of SAK EMKM, resulting in its limited application in routine financial reporting.

Numerous studies have examined the relationship between accounting understanding and financial reporting quality among MSMEs in Indonesia. However, previous research has primarily focused on general MSMEs in major cities such as Bandung, Kudus, Semarang, and Magetan (Mulyani, 2014). Research specifically investigating gold traders operating in traditional markets, particularly in South Sulawesi, remains scarce. This research gap is important because gold trading businesses possess unique characteristics, including specialized transaction processes, high-value inventories, and distinctive financial recording practices that differ from those of other MSMEs.

Field observations indicate that most gold traders in Central Rappang Market still rely on simple manual bookkeeping systems, while some do not maintain financial records at all. Purchase and sales transactions are commonly recorded manually without following standardized accounting procedures, resulting in financial information that is insufficient for business evaluation or loan applications (Sari, 2023). These conditions suggest inadequate accounting understanding among business owners, which may negatively affect the quality of their financial statements.

Based on these considerations, this study aims to examine the effect of accounting understanding on the quality of financial statement preparation among micro business owners operating as gold traders in Central Rappang Market, Sidenreng Rappang Regency. The research location was selected because it represents a concentration of gold trading businesses with diverse operational characteristics. The findings are expected to enrich the literature on MSME accounting while providing practical implications for business owners, local governments, and financial institutions in designing accounting literacy programs based on the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM).

2. Literature Review and Hypothesis/es Development

2.1 Human Capital Theory

Human Capital Theory, proposed by Becker (1964), argues that investments in education, training, and knowledge acquisition enhance individuals' skills, productivity, and work performance. In the context of this study, business owners' accounting understanding is considered a form of human capital. Such knowledge is acquired through formal and informal education, business experience, and participation in accounting-related training programs. The greater the owner's accounting understanding, the better the ability to prepare high-quality financial statements. Accordingly, Human Capital Theory provides the theoretical foundation for arguing that improving the accounting knowledge of MSME owners contributes positively to the quality of financial reporting (Thadeus, Simiyu, & Ombaba, 2023). For micro-enterprises, this theory implies that investing in accounting knowledge, even with relatively low financial costs, can generate substantial returns through improved business management and more reliable financial statement preparation.

2.2 Agency Theory

Agency Theory, developed by Jensen and Meckling (1976), explains the relationship between principals and agents within an organization, emphasizing that information asymmetry between the two parties may lead to agency costs. In the context of MSMEs, high-quality financial statements help reduce information asymmetry between business owners and external stakeholders, including creditors, investors, and government institutions. Business owners with adequate accounting understanding are better able to prepare transparent, reliable, and credible financial statements, thereby enhancing stakeholders' confidence. Conversely, limited accounting understanding may result in poor-quality financial information, reducing transparency and restricting MSMEs' access to external financing (Jensen & Meckling, 2019).

2.3 Accounting Understanding

Accounting understanding refers to an individual's ability to comprehend fundamental accounting concepts, including recording financial transactions, preparing financial statements, and interpreting financial information (Taufiqurrohman, Mudawanah, & Muthanudin, 2021). It encompasses not only familiarity with accounting terminology but also the ability to apply accounting principles in daily financial management. Zulfikar, Astuti, and Ismail (2022) identify several dimensions of accounting understanding among MSME owners, including knowledge of basic accounting concepts such as debit-credit principles and the accounting equation, the ability to record transactions systematically, understanding of the accounting cycle, skills in preparing basic financial statements, and knowledge of applicable accounting standards, particularly the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). The more comprehensively these competencies are mastered, the greater the likelihood that business owners will produce financial records and statements that are not only administratively accurate but also useful for business decision-making, including pricing, inventory control, and cash flow planning.

2.4 Financial Statement Quality

Financial statement quality refers to the extent to which financial reports satisfy the qualitative characteristics established by applicable accounting standards. According to the Indonesian Institute of Accountants (IAI, 2018), high-quality financial statements should be understandable, relevant, reliable, and comparable. Setyowati, Isthika, and Pratiwi (2016) argue that financial reporting quality largely depends on the competence and accounting understanding of those responsible for preparing the reports. In micro-enterprises, business owners typically prepare financial statements themselves; therefore, their accounting understanding directly influences reporting quality. Poor-quality financial statements may hinder business decision-making, limit access to external financing, and reduce the effectiveness of business management (Rudiantoro & Siregar, 2012). Furthermore, high-quality financial statements strengthen relationships with external stakeholders, including financial institutions, suppliers, and business partners, by providing accurate and reliable financial information that enhances business credibility (Burke, & Clark, 2016; Palazuelos, & Crespo, 2018).

2.5 SAK EMKM as the Financial Reporting Standard for MSMEs

The Financial Accounting Standards for Micro, Small, and Medium Entities (*Standar Akuntansi Keuangan Entitas Mikro, Kecil, dan Menengah/*SAK EMKM) were issued by the Indonesian Institute of Accountants (IAI) and became effective on January 1, 2018. These standards were specifically developed for entities without significant public accountability operating as micro, small, or medium enterprises. SAK EMKM requires three main components of financial statements: a statement of financial position, an income statement, and notes to the financial statements (IAI, 2018). Although the standards are relatively simple, their implementation remains challenging. Purwanti and Fatmawati (2021) found that understanding SAK EMKM strengthens the relationship between accounting information systems and financial statement quality, highlighting accounting literacy as an important factor in improving MSME financial reporting. Nevertheless, successful implementation depends on business owners' understanding of basic accounting principles. Without adequate accounting knowledge, even simplified accounting standards are unlikely to improve the quality of financial statements (Ewert, & Wagenhofer, 2016; Abed, Hussin, Ali, Haddad, Shehadeh, & Hasan, 2022; (Abad, Barone, Gullkvist, Hellman, Marques, Marton, & Vysotskaya, 2020)).

2.6 Previous Studies and Hypothesis Development

Previous studies consistently demonstrate that accounting understanding positively influences the quality of MSME financial statements. Rudiantoro and Siregar (2012) reported that business owners' accounting knowledge improves financial reporting quality and supports the implementation of SAK ETAP. Mulyani (2014) found that educational background and business experience significantly affect financial statement quality among MSMEs in Kudus Regency. Similarly, (Rosaleh, Dewabrata, Gunanta, & Indah, 2022) showed that accounting training significantly improves the quality of MSME financial statements in Bandung. Comparable findings were reported by Rahayuningsih and Utami (2022), (Sripan & Wisaeng, 2022), and Jasim and Ibrahim (2023), who concluded that accounting understanding and knowledge of accounting standards are key determinants of financial reporting quality.

However, most previous studies examined accounting understanding alongside several independent variables and focused on MSMEs in urban areas. Research specifically investigating gold traders in traditional markets, particularly in South Sulawesi, remains limited. This study addresses that gap by focusing exclusively on the direct effect of accounting understanding on financial statement quality among gold traders in Central Rappang Market. Grounded in Human Capital Theory, which views accounting knowledge as an investment that enhances business capabilities, and Agency Theory, which emphasizes high-quality financial reporting as a mechanism for reducing information asymmetry, this study proposes the following hypothesis:

> *H_1:* Accounting understanding has a positive and significant effect on the quality of financial statements prepared by micro business owners operating as gold traders in Central Rappang Market.

3. Research Methodology

3.1 Research Design

This study employed a quantitative research method using a survey approach. This approach was selected because the objective of the study was to test the hypothesis regarding the effect of the independent variable, accounting understanding, on the dependent variable, financial statement quality, using statistical analysis. According to Sugiyono (2019), quantitative research is based on the positivist philosophy and is used to investigate a particular population or sample by employing research instruments and statistical techniques to test predetermined hypotheses.

3.2 Research Setting

The study was conducted at Central Rappang Market, located in Panca Rijang District, Sidenreng Rappang Regency, South Sulawesi Province, Indonesia. This location was selected because it serves as the main commercial center in the regency and accommodates a diverse population of gold traders with varying business scales and characteristics. Therefore, it was considered representative for achieving the objectives of the study.

3.3 Population and Sample

The study population consisted of all business owners engaged in gold trading at Central Rappang Market, including those selling gold jewelry, gold bullion, or both types of products. The sampling technique employed was purposive sampling, in which respondents were selected based on specific criteria relevant to the research objectives (Sugiyono, 2019). The inclusion criteria were as follows: (1) respondents had to be the owner or principal manager of a gold trading business rather than an employee; (2) the business had been operating for at least one year; and (3) respondents were willing to participate voluntarily in the study. Based on these criteria, a total of 50 respondents met the requirements and were included in the research.

3.4 Data Collection

Data were collected using two primary methods, namely structured questionnaires and brief interviews. The questionnaire was developed based on the indicators of each research variable and measured using a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The questionnaire consisted of 15 statements measuring the accounting understanding variable (X) and 15 statements measuring the financial statement quality variable (Y). The questionnaires were administered directly to respondents at the research site to ensure a high response rate and accurate completion of the survey.

In addition, brief unstructured interviews were conducted with selected respondents to complement and deepen the understanding of the questionnaire data, particularly regarding their day-to-day financial management practices. Before being administered, the questionnaire was reviewed through discussions with individuals familiar with the financial recording practices of gold traders to ensure that each statement was clear and easily understood by respondents, the majority of whom did not have a formal accounting education. The data collection process also adhered to research ethics principles. Each respondent received an explanation of the purpose of the study, provided verbal informed consent before completing the questionnaire, and was assured that all personal identities and information would remain confidential.

3.5 Variable Measurement

The independent variable, accounting understanding (X), refers to the extent to which business owners understand fundamental accounting concepts, transaction recording procedures, financial reporting processes, and the preparation of basic financial statements. The indicators used included understanding of basic accounting concepts, the ability to record financial transactions, knowledge of the accounting cycle, understanding of basic financial statements, and general knowledge of the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) (Taufiqurrohman et al., 2021).

The dependent variable, financial statement quality (Y), refers to the quality of financial statements prepared by business owners. This variable was measured based on the qualitative characteristics specified in SAK EMKM, namely understandability, relevance, reliability, comparability, and completeness of financial information (Rudiantoro & Siregar, 2012; Setyowati et al., 2016). Both variables were measured using a five-point Likert scale.

3.6 Data Analysis

A validity test was conducted to determine whether the questionnaire items accurately measured the intended constructs (Ghozali, 2018). Validity was assessed using the Pearson product-moment correlation method by examining the correlation between each item score and the total score of the corresponding variable. An item was considered valid if the calculated correlation coefficient (r-calculated) exceeded the critical correlation value (r-table) at a significance level of 5%. With a sample size of 50 respondents (n = 50) and degrees of freedom (df = n − 2 = 48), the critical r-table value was 0.279.

A reliability test was then conducted to assess the internal consistency of the research instrument using Cronbach's Alpha. The instrument was considered reliable if the Cronbach's Alpha coefficient exceeded 0.70 (Hair et al., 2010). The research hypothesis was tested using simple linear regression analysis, as the study involved only one independent variable and one dependent variable. The regression model was expressed as:

$$Y = a + bX + e \tag{1}$$

Formula 1 presents the simple linear regression model used to examine the effect of accounting understanding on financial statement quality. Where Y represents financial statement quality, a is the regression constant, b is the regression coefficient for accounting understanding, X represents accounting understanding, and e denotes the error term.

A t-test was performed to examine whether the independent variable had a statistically significant partial effect on the dependent variable. The null hypothesis (H_0) was rejected if the calculated t-value exceeded the critical t-table value or if the significance value (p-value) was less than 0.05. In addition, the coefficient of determination (R^2) was calculated to determine the proportion of variance in the dependent variable that could be explained by the independent variable. All statistical analyses were performed using IBM SPSS Statistics Version 25.

4. Results and Discussions

4.1 Respondent Profile

This study involved 50 gold traders actively operating in Central Rappang Market, selected using a purposive sampling technique. The respondents' characteristics analyzed in this study included gender, age, business status, years of business operation, primary products sold, financial record-keeping method, and monthly revenue range, as presented in Table 1.

Table 1. Respondent Characteristics

Category	Group	Frequency	Percentage
Gender	Male	31	62.0%
Gender	Female	19	38.0%
Age	< 25 years	5	10.0%

Category	Group	Frequency	Percentage
Age	25–35 years	19	38.0%
Age	36–45 years	21	42.0%
Age	46–55 years	5	10.0%
Business Status	Business owner	44	88.0%
Business Status	Primary manager (non-owner)	6	12.0%
Years in Business	1–3 years	8	16.0%
Years in Business	3–5 years	11	22.0%
Years in Business	5–10 years	17	34.0%
Years in Business	> 10 years	14	28.0%
Primary Product	Gold jewelry	24	48.0%
Primary Product	Gold bullion	8	16.0%
Primary Product	Combination (jewelry & bullion)	18	36.0%
Record-Keeping Method	Manual (ledger)	32	64.0%
Record-Keeping Method	Accounting application/software	10	20.0%
Record-Keeping Method	No formal record-keeping	8	16.0%
Monthly Revenue	< IDR 50,000,000	12	24.0%
Monthly Revenue	IDR 50,000,000–150,000,000	21	42.0%
Monthly Revenue	IDR 150,000,001–300,000,000	12	24.0%
Monthly Revenue	> IDR 300,000,000	5	10.0%

Table 1 shows that the majority of respondents were male (62.0%) and belonged to the productive age group of 25–45 years (80.0%). Most respondents were business owners (88.0%) with varying levels of business experience, of which the largest proportion (34.0%) had been operating their businesses for 5–10 years. A particularly relevant finding for this study concerns the respondents' financial record-keeping practices. A total of 64.0% of respondents still relied on manual bookkeeping using notebooks, while only 20.0% had adopted accounting applications or financial software. Meanwhile, 16.0% did not maintain any formal financial records. These findings support the initial premise of this study that financial record-keeping practices among gold traders in Central Rappang Market remain largely conventional. Consequently, examining the effect of accounting understanding on financial statement quality is highly relevant for explaining variations in financial reporting quality among business owners with different levels of accounting literacy.

4.1.1 Descriptive Analysis Results

Descriptive statistics were used to summarize the distribution of scores for each research variable, including the minimum value, maximum value, mean, and standard deviation, as presented in Table 2.

Table 2. Descriptive Statistics of Research Variables

Variable	N	Minimum	Maximum	Mean	Standard Deviation
Accounting Understanding (X)	50	20	72	44.42	14.154
Financial Statement Quality (Y)	50	19	73	44.24	13.307

Based on Table 2, the total score for the accounting understanding variable (X) ranged from 20 to 72, with a mean of 44.42 and a standard deviation of 14.154. Meanwhile, the total score for the financial statement quality variable (Y) ranged from 19 to 73, with a mean of 44.24 and a standard deviation of 13.307. Considering that the theoretical score range for both variables was 15–75, the mean values located near the midpoint indicate moderate levels of accounting understanding and financial statement quality. The relatively large standard deviations indicate considerable heterogeneity among respondents, consistent with the variation in financial record-keeping methods reported in Table 1.

4.1.2 Validity Test Results

Instrument validity was assessed using the Pearson product-moment correlation. With n = 50 and a 5% significance level, the critical r-table value was 0.279. All accounting understanding items had calculated correlation coefficients ranging from 0.729 to 0.878, while all financial statement quality items ranged from 0.600 to 0.882, as presented in Table 3.

Table 3. Summary of Validity Test Results

Variable	Number of Items	Range of Calculated r	r-Table	Interpretation
Accounting Understanding (*X*)	15	0.729–0.878	0.279	All items are valid
Financial Statement Quality (*Y*)	15	0.600–0.882	0.279	All items are valid

Based on Table 3, because all calculated r-values for both variables exceeded the critical r-table value (0.279) and the significance levels were below 0.05, all 30 questionnaire items were considered valid and appropriate for measuring the research constructs. No items were eliminated; therefore, all questionnaire items were retained for subsequent analyses.

4.1.3 Reliability Test Results

Table 4. Reliability Test Results

Variable	Cronbach Alpha	Number of Items	Interpretation
Accounting Understanding (*X*)	0.960	15	Highly Reliable
Financial Statement Quality (*Y*)	0.950	15	Highly Reliable

Based on Table 4 Cronbach's Alpha coefficient for accounting understanding was 0.960, while that for financial statement quality was 0.950. Both values substantially exceeded the minimum acceptable threshold of 0.60, indicating excellent internal consistency. These findings demonstrate that the research instrument is highly reliable and suitable for use in the subsequent hypothesis-testing stage.

4.1.4 Simple Linear Regression Results

Table 5. Simple Linear Regression Results

Model	Coefficient (B)	Standard Error	t-Value	Sig.
Constant	21.727	5.324	4.081	0.000
Accounting Understanding (*X*)	0.507	0.114	4.434	0.000

Based on Table 5, the regression analysis produced the equation $Y = 21.727 + 0.507X$. The constant value of 21.727 indicates that, in the absence of accounting understanding, the predicted financial statement quality score would be 21.727. The regression coefficient for accounting understanding (*X*) was 0.507 and positive, indicating that a one-unit increase in the accounting understanding score is expected to increase the financial statement quality score by 0.507 units, assuming other factors remain constant (ceteris paribus). The positive coefficient supports the proposed research hypothesis and is consistent with Human Capital Theory, which suggests that improvements in accounting understanding are associated with improvements in financial statement quality.

4.1.5 Significance Test Results (t-Test)

The t-test was conducted to evaluate the statistical significance of the partial effect of the independent variable on the dependent variable. With degrees of freedom (df = n – 2 = 48) and a 5% significance level (two-tailed), the critical t-table value was 2.010.

Table 6. Significance Test Results (t-Test)

Variable	t-Value	t-Table	Sig.	Decision
Accounting Understanding (*X*)	4.434	2.010	0.000	H_0 rejected; H_1 accepted

The calculated t-value of 4.434 exceeded the critical t-table value of 2.010, with a significance level of 0.000, which is well below the significance threshold of $\alpha = 0.05$. Based on Table 6, the null hypothesis (H0) was rejected, while the alternative hypothesis (H_1) was accepted. Therefore, accounting understanding has a positive and statistically significant effect on the financial statement quality of gold traders in Central Rappang Market. Accordingly, the research hypothesis (H1), which states that accounting understanding among micro business owners positively and significantly influences the quality of financial statement preparation, is supported.

4.1.6 Coefficient of Determination (R²)

Table 7. Coefficient of Determination (R^2)

R	R Square	Adjusted R Square	Standard Error of the Estimate
0.539	0.291	0.276	11.321

Based on Table 7, the correlation coefficient (R = 0.539) indicates a moderate to strong relationship between accounting understanding and financial statement quality. The coefficient of determination ($R^2 = 0.291$) indicates that accounting understanding explains 29.1% of the variation in financial statement quality, while the remaining 70.9% is explained by factors outside the research model, such as educational attainment, business experience, the use of accounting information technology, internal control systems, accounting training, and the overall implementation of the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) (Mulyani, 2014).

4.1.7 Discussion

The findings of this study support Human Capital Theory proposed by Bank (1964), which suggests that accounting understanding represents an investment in knowledge that enhances individuals' capabilities and work performance. The positive regression coefficient of 0.507 indicates that a higher level of accounting understanding among business owners is associated with better financial statement quality. This finding is consistent with previous studies by Rudiantoro and Siregar (2012), reported that accounting understanding has a positive and significant effect on the quality of MSME financial statements, although their studies were conducted in different contexts. The consistency of these findings across various MSME settings strengthens the argument that accounting understanding is a relatively universal determinant of financial reporting quality, including in specialized sectors such as gold trading.

Table 1. Respondent Characteristics

Category	Group	Frequency	Percentage
Gender	Male	31	62.0%
Gender	Female	19	38.0%
Age	< 25 years	5	10.0%
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Category	Group	Frequency	Percentage
Primary Product	Gold jewelry	24	48.0%
Primary Product	Gold bullion	8	16.0%
Primary Product	Combination (jewelry & bullion)	18	36.0%
Record-Keeping Method	Manual (ledger)	32	64.0%
Record-Keeping Method	Accounting application/software	10	20.0%
Record-Keeping Method	No formal record-keeping	8	16.0%
Monthly Revenue	< IDR 50,000,000	12	24.0%
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Monthly Revenue	IDR 150,000,001–300,000,000	12	24.0%
Monthly Revenue	> IDR 300,000,000	5	10.0%

From the perspective of Agency Theory Jensen and Meckling (1976), this positive relationship also suggests a reduction in information asymmetry between business owners and external stakeholders. Gold traders with better accounting understanding are more capable of preparing transparent and reliable financial statements, thereby increasing their credibility and improving their access to financing from formal financial institutions. Conversely, the finding that 64% of respondents still relied on manual bookkeeping and 16% did not maintain any formal financial records (Table 1) indicates that information asymmetry remains a significant concern in this business sector. Therefore, improving accounting understanding is important not only for internal business management but also for strengthening relationships with external stakeholders.

These findings also provide practical implications for various stakeholders. For gold business owners, the results emphasize the importance of investing time and resources in developing accounting knowledge through self-learning or training programs organized by relevant institutions. For local governments and market trader associations, the findings provide a basis for designing more targeted and sustainable accounting assistance programs that accommodate the unique transaction characteristics of gold trading businesses. For financial institutions, a better understanding of the financial recording practices of gold traders may facilitate the development of financing schemes that better reflect the actual conditions of these businesses, such as integrating financial reporting assistance into the loan application process.

The coefficient of determination ($R^2 = 0.291$) indicates that although accounting understanding has a significant effect on financial statement quality, its explanatory power remains relatively modest. The remaining 70.9% of the variation is explained by other factors, including business experience, the use of accounting information technology, and the implementation of the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM), as also reported by Mulyani (2014). These findings suggest that the quality of financial statements in micro and small enterprises is influenced by multiple factors rather than accounting understanding alone. Consequently, accounting understanding should be regarded as an important, but not the sole, determinant of financial reporting quality.

Accordingly, initiatives aimed at improving the financial reporting quality of gold traders should not focus exclusively on enhancing accounting understanding. Instead, they should adopt a more comprehensive approach by simultaneously promoting other supporting factors, such as providing user-friendly bookkeeping applications, offering continuous technical assistance from qualified professionals, and encouraging financial institutions to provide incentives for business owners who prepare financial statements in accordance with applicable accounting standards.

5. Conclusions

This study aimed to empirically examine the effect of accounting understanding among micro business owners on the quality of financial statements prepared by gold traders in Central Rappang Market, Sidenreng Rappang Regency. The descriptive analysis indicated that respondents generally demonstrated a moderate level of accounting understanding and financial statement quality. These findings suggest that although most business owners possess a basic understanding of financial record-keeping, its implementation has not yet fully complied with accounting principles and the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM).

The simple linear regression analysis produced the equation Y = 21.727 + 0.507X, indicating a positive relationship between accounting understanding and financial statement quality. The t-test results confirmed that this relationship was statistically significant ($t = 4.434 > 2.010$; $p = 0.000$), thereby supporting the proposed hypothesis (H1). Furthermore, the coefficient of determination ($R^2 = 0.291$) showed that accounting understanding explained 29.1% of the variation in financial statement quality, while the remaining 70.9% was attributable to other factors not included in the research model. Overall, the findings demonstrate that improving accounting understanding is an important step toward enhancing the quality of financial management and financial reporting among gold traders in Central Rappang Market. The results also emphasize that improving the quality of MSME financial statements, particularly in the gold trading sector, requires systematic efforts to strengthen accounting literacy through formal education, non-formal training, and continuous assistance provided by relevant stakeholders.

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Author Contributions

MJ conceptualized the study, developed the methodology, conducted data collection, performed the formal analysis, carried out the investigation, interpreted the data, prepared the original draft, and created the visualizations. WOR supervised the research, validated the methodology, critically reviewed and edited the manuscript, managed the project administration, and approved the final version of the manuscript. All authors have read and approved the final version of the manuscript.

Conflict of Interest

The authors declare that there are no financial, commercial, or personal relationships that could be construed as a potential conflict of interest regarding the publication of this research.

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Accounting Understanding and Financial Statement Quality among Micro Business Owners in Central Rappang Gold Market

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Abstract

Purpose: This study examines the effect of micro business owners' accounting understanding on the quality of financial statement preparation among gold traders in Central Rappang Market, Sidenreng Rappang Regency.

Research Methodology: A quantitative survey with purposive sampling was employed. The sample consisted of 50 gold traders operating in Central Rappang Market. Data were collected using a structured questionnaire with a five-point Likert scale and analyzed through validity and reliability tests, followed by simple linear regression using IBM SPSS Statistics 25.

Results: The measurement instruments were valid and highly reliable, with Cronbach's Alpha values of 0.960 for accounting understanding and 0.950 for financial statement quality. The regression equation was $Y = 21.727 + 0.507X$. The calculated t-value (4.434) exceeded the critical value (2.010) with a significance level of 0.000, indicating that accounting understanding has a positive and significant effect on financial statement quality. The coefficient of determination ($R^2 = 0.291$) shows that accounting understanding explains 29.1% of the variation in financial statement quality.

Conclusions: Improving accounting understanding among micro business owners is essential for enhancing the quality of financial statements and strengthening MSME financial management.

Limitations: This study was limited to a single research location and only one independent variable. Therefore, the findings should be generalized with caution.

Contribution: This study extends the literature on MSME accounting by providing empirical evidence from gold traders and supports accounting literacy programs based on the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM).

Keywords: *Accounting Understanding, Financial Report Quality, Gold Traders, MSMEs, MSME Financial Accounting Standards*

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1. Introduction

Micro, small, and medium enterprises (MSMEs) play a vital role in Indonesia's economy. According to the Ministry of Cooperatives and SMEs of the Republic of Bank (2022), the number of MSMEs in Indonesia has exceeded 65.4 million business units. MSMEs contribute approximately 61.07% of the country's Gross Domestic Product (GDP) and employ more than 97% of the national workforce. This substantial contribution highlights the importance of MSMEs as a key pillar of national and regional economic development, making their sustainability and business management a major concern for policymakers and stakeholders.

Among MSMEs, gold traders represent a unique business sector with an important role in local economies. In addition to selling consumer products, gold traders serve as providers of a store of value because gold is generally regarded as a stable asset and an effective hedge against inflation (Singh & Joshi, 2019). In Sidenreng Rappang Regency, South Sulawesi Province, gold trading activities are concentrated in Central Rappang Market, one of the region's primary commercial centers. Daily gold trading transactions contribute significantly to local economic activity, making the sustainability of these businesses essential to regional economic development (Pian, & Santosh, 2020; (Andayani, Hendri, & Suyanto, 2021)).

Despite their strategic role, gold traders face considerable challenges in financial management, particularly in maintaining accounting records and preparing financial statements in accordance with accepted accounting standards. Bank (2022) reported that only 19.2% of Indonesian MSMEs prepare financial statements that comply with recognized accounting standards, while the majority continue to rely on simple and informal bookkeeping practices. This condition reflects a substantial gap between the need for reliable financial information and MSME owners' ability to produce standardized financial reports. The limited adoption of standardized financial reporting is closely related to inadequate access to continuous accounting training and mentoring. Existing financial literacy programs provided by government institutions and financial organizations generally offer broad-based training and rarely address the specific needs of individual business sectors (Saviano, Nenci, & Caputo, 2017), including gold trading businesses, which have distinctive transaction characteristics and accounting practices. Consequently, many business owners who are willing to improve their financial reporting lack sufficient technical guidance, causing non-standard bookkeeping practices to persist.

The quality of MSME financial statements is strongly associated with business owners' accounting understanding. Rudiantoro and Siregar (2012) argued that owners' accounting knowledge is a key determinant of financial reporting quality. When business owners lack sufficient knowledge of accounting procedures, transaction recording, and financial statement preparation, business records tend to be incomplete, inconsistent, and often mixed with personal finances (Roslan, Pauzi, Ahmad, Shamsudin, Karim, & Ibrahim, 2018; Aladejebi, & Oladimeji, 2019). Such conditions hinder effective business decision-making, including pricing strategies, inventory planning, loan applications, and performance evaluation. To facilitate financial reporting among MSMEs, the Indonesian Institute of Accountants (*Ikatan Akuntan Indonesia*/IAI) introduced the Financial Accounting Standards for Micro, Small, and Medium Entities (*Standar Akuntansi Keuangan Entitas Mikro, Kecil, dan Menengah*/SAK EMKM), effective January 1, 2018. These standards were specifically designed to simplify accounting practices for small businesses. However, their implementation remains limited. Kusuma and Lutfiany (2018) found that many MSME owners were unaware of SAK EMKM, resulting in its limited application in routine financial reporting.

Numerous studies have examined the relationship between accounting understanding and financial reporting quality among MSMEs in Indonesia. However, previous research has primarily focused on general MSMEs in major cities such as Bandung, Kudus, Semarang, and Magetan (Mulyani, 2014). Research specifically investigating gold traders operating in traditional markets, particularly in South Sulawesi, remains scarce. This research gap is important because gold trading businesses possess unique characteristics, including specialized transaction processes, high-value inventories, and distinctive financial recording practices that differ from those of other MSMEs.

Field observations indicate that most gold traders in Central Rappang Market still rely on simple manual bookkeeping systems, while some do not maintain financial records at all. Purchase and sales transactions are commonly recorded manually without following standardized accounting procedures, resulting in financial information that is insufficient for business evaluation or loan applications (Sari, 2023). These conditions suggest inadequate accounting understanding among business owners, which may negatively affect the quality of their financial statements.

Based on these considerations, this study aims to examine the effect of accounting understanding on the quality of financial statement preparation among micro business owners operating as gold traders in Central Rappang Market, Sidenreng Rappang Regency. The research location was selected because it represents a concentration of gold trading businesses with diverse operational characteristics. The findings are expected to enrich the literature on MSME accounting while providing practical implications for business owners, local governments, and financial institutions in designing accounting literacy programs based on the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM).

2. Literature Review and Hypothesis/es Development

2.1 Human Capital Theory

Human Capital Theory, proposed by Becker (1964), argues that investments in education, training, and knowledge acquisition enhance individuals' skills, productivity, and work performance. In the context of this study, business owners' accounting understanding is considered a form of human capital. Such knowledge is acquired through formal and informal education, business experience, and participation in accounting-related training programs. The greater the owner's accounting understanding, the better the ability to prepare high-quality financial statements. Accordingly, Human Capital Theory provides the theoretical foundation for arguing that improving the accounting knowledge of MSME owners contributes positively to the quality of financial reporting (Thadeus, Simiyu, & Ombaba, 2023). For micro-enterprises, this theory implies that investing in accounting knowledge, even with relatively low financial costs, can generate substantial returns through improved business management and more reliable financial statement preparation.

2.2 Agency Theory

Agency Theory, developed by Jensen and Meckling (1976), explains the relationship between principals and agents within an organization, emphasizing that information asymmetry between the two parties may lead to agency costs. In the context of MSMEs, high-quality financial statements help reduce information asymmetry between business owners and external stakeholders, including creditors, investors, and government institutions. Business owners with adequate accounting understanding are better able to prepare transparent, reliable, and credible financial statements, thereby enhancing stakeholders' confidence. Conversely, limited accounting understanding may result in poor-quality financial information, reducing transparency and restricting MSMEs' access to external financing (Jensen & Meckling, 2019).

2.3 Accounting Understanding

Accounting understanding refers to an individual's ability to comprehend fundamental accounting concepts, including recording financial transactions, preparing financial statements, and interpreting financial information (Taufiqurrohman, Mudawanah, & Muthanudin, 2021). It encompasses not only familiarity with accounting terminology but also the ability to apply accounting principles in daily financial management. Zulfikar, Astuti, and Ismail (2022) identify several dimensions of accounting understanding among MSME owners, including knowledge of basic accounting concepts such as debit-credit principles and the accounting equation, the ability to record transactions systematically, understanding of the accounting cycle, skills in preparing basic financial statements, and knowledge of applicable accounting standards, particularly the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). The more comprehensively these competencies are mastered, the greater the likelihood that business owners will produce financial records and statements that are not only administratively accurate but also useful for business decision-making, including pricing, inventory control, and cash flow planning.

2.4 Financial Statement Quality

Financial statement quality refers to the extent to which financial reports satisfy the qualitative characteristics established by applicable accounting standards. According to the Indonesian Institute of Accountants (IAI, 2018), high-quality financial statements should be understandable, relevant, reliable, and comparable. Setyowati, Isthika, and Pratiwi (2016) argue that financial reporting quality largely depends on the competence and accounting understanding of those responsible for preparing the reports. In micro-enterprises, business owners typically prepare financial statements themselves; therefore, their accounting understanding directly influences reporting quality. Poor-quality financial statements may hinder business decision-making, limit access to external financing, and reduce the effectiveness of business management (Rudiantoro & Siregar, 2012). Furthermore, high-quality financial statements strengthen relationships with external stakeholders, including financial institutions, suppliers, and business partners, by providing accurate and reliable financial information that enhances business credibility (Burke, & Clark, 2016; Palazuelos, & Crespo, 2018).

2.5 SAK EMKM as the Financial Reporting Standard for MSMEs

The Financial Accounting Standards for Micro, Small, and Medium Entities (*Standar Akuntansi Keuangan Entitas Mikro, Kecil, dan Menengah/*SAK EMKM) were issued by the Indonesian Institute of Accountants (IAI) and became effective on January 1, 2018. These standards were specifically developed for entities without significant public accountability operating as micro, small, or medium enterprises. SAK EMKM requires three main components of financial statements: a statement of financial position, an income statement, and notes to the financial statements (IAI, 2018). Although the standards are relatively simple, their implementation remains challenging. Purwanti and Fatmawati (2021) found that understanding SAK EMKM strengthens the relationship between accounting information systems and financial statement quality, highlighting accounting literacy as an important factor in improving MSME financial reporting. Nevertheless, successful implementation depends on business owners' understanding of basic accounting principles. Without adequate accounting knowledge, even simplified accounting standards are unlikely to improve the quality of financial statements (Ewert, & Wagenhofer, 2016; Abed, Hussin, Ali, Haddad, Shehadeh, & Hasan, 2022; (Abad, Barone, Gullkvist, Hellman, Marques, Marton, & Vysotskaya, 2020)).

2.6 Previous Studies and Hypothesis Development

Previous studies consistently demonstrate that accounting understanding positively influences the quality of MSME financial statements. Rudiantoro and Siregar (2012) reported that business owners' accounting knowledge improves financial reporting quality and supports the implementation of SAK ETAP. Mulyani (2014) found that educational background and business experience significantly affect financial statement quality among MSMEs in Kudus Regency. Similarly, (Rosaleh, Dewabrata, Gunanta, & Indah, 2022) showed that accounting training significantly improves the quality of MSME financial statements in Bandung. Comparable findings were reported by Rahayuningsih and Utami (2022), (Sripan & Wisaeng, 2022), and Jasim and Ibrahim (2023), who concluded that accounting understanding and knowledge of accounting standards are key determinants of financial reporting quality.

However, most previous studies examined accounting understanding alongside several independent variables and focused on MSMEs in urban areas. Research specifically investigating gold traders in traditional markets, particularly in South Sulawesi, remains limited. This study addresses that gap by focusing exclusively on the direct effect of accounting understanding on financial statement quality among gold traders in Central Rappang Market. Grounded in Human Capital Theory, which views accounting knowledge as an investment that enhances business capabilities, and Agency Theory, which emphasizes high-quality financial reporting as a mechanism for reducing information asymmetry, this study proposes the following hypothesis:

> H_1: Accounting understanding has a positive and significant effect on the quality of financial statements prepared by micro business owners operating as gold traders in Central Rappang Market.

3. Research Methodology

3.1 Research Design

This study employed a quantitative research method using a survey approach. This approach was selected because the objective of the study was to test the hypothesis regarding the effect of the independent variable, accounting understanding, on the dependent variable, financial statement quality, using statistical analysis. According to Sugiyono (2019), quantitative research is based on the positivist philosophy and is used to investigate a particular population or sample by employing research instruments and statistical techniques to test predetermined hypotheses.

3.2 Research Setting

The study was conducted at Central Rappang Market, located in Panca Rijang District, Sidenreng Rappang Regency, South Sulawesi Province, Indonesia. This location was selected because it serves as the main commercial center in the regency and accommodates a diverse population of gold traders with varying business scales and characteristics. Therefore, it was considered representative for achieving the objectives of the study.

3.3 Population and Sample

The study population consisted of all business owners engaged in gold trading at Central Rappang Market, including those selling gold jewelry, gold bullion, or both types of products. The sampling technique employed was purposive sampling, in which respondents were selected based on specific criteria relevant to the research objectives (Sugiyono, 2019). The inclusion criteria were as follows: (1) respondents had to be the owner or principal manager of a gold trading business rather than an employee; (2) the business had been operating for at least one year; and (3) respondents were willing to participate voluntarily in the study. Based on these criteria, a total of 50 respondents met the requirements and were included in the research.

3.4 Data Collection

Data were collected using two primary methods, namely structured questionnaires and brief interviews. The questionnaire was developed based on the indicators of each research variable and measured using a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The questionnaire consisted of 15 statements measuring the accounting understanding variable (X) and 15 statements measuring the financial statement quality variable (Y). The questionnaires were administered directly to respondents at the research site to ensure a high response rate and accurate completion of the survey.

In addition, brief unstructured interviews were conducted with selected respondents to complement and deepen the understanding of the questionnaire data, particularly regarding their day-to-day financial management practices. Before being administered, the questionnaire was reviewed through discussions with individuals familiar with the financial recording practices of gold traders to ensure that each statement was clear and easily understood by respondents, the majority of whom did not have a formal accounting education. The data collection process also adhered to research ethics principles. Each respondent received an explanation of the purpose of the study, provided verbal informed consent before completing the questionnaire, and was assured that all personal identities and information would remain confidential.

3.5 Variable Measurement

The independent variable, accounting understanding (X), refers to the extent to which business owners understand fundamental accounting concepts, transaction recording procedures, financial reporting processes, and the preparation of basic financial statements. The indicators used included understanding of basic accounting concepts, the ability to record financial transactions, knowledge of the accounting cycle, understanding of basic financial statements, and general knowledge of the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) (Taufiqurrohman et al., 2021).

The dependent variable, financial statement quality (Y), refers to the quality of financial statements prepared by business owners. This variable was measured based on the qualitative characteristics specified in SAK EMKM, namely understandability, relevance, reliability, comparability, and completeness of financial information (Rudiantoro & Siregar, 2012; Setyowati et al., 2016). Both variables were measured using a five-point Likert scale.

3.6 Data Analysis

A validity test was conducted to determine whether the questionnaire items accurately measured the intended constructs (Ghozali, 2018). Validity was assessed using the Pearson product-moment correlation method by examining the correlation between each item score and the total score of the corresponding variable. An item was considered valid if the calculated correlation coefficient (r-calculated) exceeded the critical correlation value (r-table) at a significance level of 5%. With a sample size of 50 respondents (n = 50) and degrees of freedom (df = n − 2 = 48), the critical r-table value was 0.279.

A reliability test was then conducted to assess the internal consistency of the research instrument using Cronbach's Alpha. The instrument was considered reliable if the Cronbach's Alpha coefficient exceeded 0.70 (Hair et al., 2010). The research hypothesis was tested using simple linear regression analysis, as the study involved only one independent variable and one dependent variable. The regression model was expressed as:

$$Y = a + bX + e \tag{1}$$

Formula 1 presents the simple linear regression model used to examine the effect of accounting understanding on financial statement quality. Where Y represents financial statement quality, a is the regression constant, b is the regression coefficient for accounting understanding, X represents accounting understanding, and e denotes the error term.

A t-test was performed to examine whether the independent variable had a statistically significant partial effect on the dependent variable. The null hypothesis (H_0) was rejected if the calculated t-value exceeded the critical t-table value or if the significance value (p-value) was less than 0.05. In addition, the coefficient of determination (R^2) was calculated to determine the proportion of variance in the dependent variable that could be explained by the independent variable. All statistical analyses were performed using IBM SPSS Statistics Version 25.

4. Results and Discussions

4.1 Respondent Profile

This study involved 50 gold traders actively operating in Central Rappang Market, selected using a purposive sampling technique. The respondents' characteristics analyzed in this study included gender, age, business status, years of business operation, primary products sold, financial record-keeping method, and monthly revenue range, as presented in Table 1.

Table 1. Respondent Characteristics

Category	Group	Frequency	Percentage
Gender	Male	31	62.0%
Gender	Female	19	38.0%
Age	< 25 years	5	10.0%

Category	Group	Frequency	Percentage
Age	25–35 years	19	38.0%
Age	36–45 years	21	42.0%
Age	46–55 years	5	10.0%
Business Status	Business owner	44	88.0%
Business Status	Primary manager (non-owner)	6	12.0%
Years in Business	1–3 years	8	16.0%
Years in Business	3–5 years	11	22.0%
Years in Business	5–10 years	17	34.0%
Years in Business	> 10 years	14	28.0%
Primary Product	Gold jewelry	24	48.0%
Primary Product	Gold bullion	8	16.0%
Primary Product	Combination (jewelry & bullion)	18	36.0%
Record-Keeping Method	Manual (ledger)	32	64.0%
Record-Keeping Method	Accounting application/software	10	20.0%
Record-Keeping Method	No formal record-keeping	8	16.0%
Monthly Revenue	< IDR 50,000,000	12	24.0%
Monthly Revenue	IDR 50,000,000–150,000,000	21	42.0%
Monthly Revenue	IDR 150,000,001–300,000,000	12	24.0%
Monthly Revenue	> IDR 300,000,000	5	10.0%

Table 1 shows that the majority of respondents were male (62.0%) and belonged to the productive age group of 25–45 years (80.0%). Most respondents were business owners (88.0%) with varying levels of business experience, of which the largest proportion (34.0%) had been operating their businesses for 5–10 years. A particularly relevant finding for this study concerns the respondents' financial record-keeping practices. A total of 64.0% of respondents still relied on manual bookkeeping using notebooks, while only 20.0% had adopted accounting applications or financial software. Meanwhile, 16.0% did not maintain any formal financial records. These findings support the initial premise of this study that financial record-keeping practices among gold traders in Central Rappang Market remain largely conventional. Consequently, examining the effect of accounting understanding on financial statement quality is highly relevant for explaining variations in financial reporting quality among business owners with different levels of accounting literacy.

4.1.1 Descriptive Analysis Results

Descriptive statistics were used to summarize the distribution of scores for each research variable, including the minimum value, maximum value, mean, and standard deviation, as presented in Table 2.

Table 2. Descriptive Statistics of Research Variables

Variable	N	Minimum	Maximum	Mean	Standard Deviation
Accounting Understanding (X)	50	20	72	44.42	14.154
Financial Statement Quality (Y)	50	19	73	44.24	13.307

Based on Table 2, the total score for the accounting understanding variable (X) ranged from 20 to 72, with a mean of 44.42 and a standard deviation of 14.154. Meanwhile, the total score for the financial statement quality variable (Y) ranged from 19 to 73, with a mean of 44.24 and a standard deviation of 13.307. Considering that the theoretical score range for both variables was 15–75, the mean values located near the midpoint indicate moderate levels of accounting understanding and financial statement quality. The relatively large standard deviations indicate considerable heterogeneity among respondents, consistent with the variation in financial record-keeping methods reported in Table 1.

4.1.2 Validity Test Results

Instrument validity was assessed using the Pearson product-moment correlation. With n = 50 and a 5% significance level, the critical r-table value was 0.279. All accounting understanding items had calculated correlation coefficients ranging from 0.729 to 0.878, while all financial statement quality items ranged from 0.600 to 0.882, as presented in Table 3.

Table 3. Summary of Validity Test Results

Variable	Number of Items	Range of Calculated r	r-Table	Interpretation
Accounting Understanding (*X*)	15	0.729–0.878	0.279	All items are valid
Financial Statement Quality (*Y*)	15	0.600–0.882	0.279	All items are valid

Based on Table 3, because all calculated r-values for both variables exceeded the critical r-table value (0.279) and the significance levels were below 0.05, all 30 questionnaire items were considered valid and appropriate for measuring the research constructs. No items were eliminated; therefore, all questionnaire items were retained for subsequent analyses.

4.1.3 Reliability Test Results

Table 4. Reliability Test Results

Variable	Cronbach Alpha	Number of Items	Interpretation
Accounting Understanding (*X*)	0.960	15	Highly Reliable
Financial Statement Quality (*Y*)	0.950	15	Highly Reliable

Based on Table 4 Cronbach's Alpha coefficient for accounting understanding was 0.960, while that for financial statement quality was 0.950. Both values substantially exceeded the minimum acceptable threshold of 0.60, indicating excellent internal consistency. These findings demonstrate that the research instrument is highly reliable and suitable for use in the subsequent hypothesis-testing stage.

4.1.4 Simple Linear Regression Results

Table 5. Simple Linear Regression Results

Model	Coefficient (B)	Standard Error	t-Value	Sig.
Constant	21.727	5.324	4.081	0.000
Accounting Understanding (*X*)	0.507	0.114	4.434	0.000

Based on Table 5, the regression analysis produced the equation $Y = 21.727 + 0.507X$. The constant value of 21.727 indicates that, in the absence of accounting understanding, the predicted financial statement quality score would be 21.727. The regression coefficient for accounting understanding (*X*) was 0.507 and positive, indicating that a one-unit increase in the accounting understanding score is expected to increase the financial statement quality score by 0.507 units, assuming other factors remain constant (ceteris paribus). The positive coefficient supports the proposed research hypothesis and is consistent with Human Capital Theory, which suggests that improvements in accounting understanding are associated with improvements in financial statement quality.

4.1.5 Significance Test Results (t-Test)

The t-test was conducted to evaluate the statistical significance of the partial effect of the independent variable on the dependent variable. With degrees of freedom (df = n – 2 = 48) and a 5% significance level (two-tailed), the critical t-table value was 2.010.

Table 6. Significance Test Results (t-Test)

Variable	t-Value	t-Table	Sig.	Decision
Accounting Understanding (*X*)	4.434	2.010	0.000	H_0 rejected; H_1 accepted

The calculated t-value of 4.434 exceeded the critical t-table value of 2.010, with a significance level of 0.000, which is well below the significance threshold of $\alpha = 0.05$. Based on Table 6, the null hypothesis (H0) was rejected, while the alternative hypothesis (H_1) was accepted. Therefore, accounting understanding has a positive and statistically significant effect on the financial statement quality of gold traders in Central Rappang Market. Accordingly, the research hypothesis (H1), which states that accounting understanding among micro business owners positively and significantly influences the quality of financial statement preparation, is supported.

4.1.6 Coefficient of Determination (R^2)

Table 7. Coefficient of Determination (R^2)

R	R Square	Adjusted R Square	Standard Error of the Estimate
0.539	0.291	0.276	11.321

Based on Table 7, the correlation coefficient (R = 0.539) indicates a moderate to strong relationship between accounting understanding and financial statement quality. The coefficient of determination ($R^2 = 0.291$) indicates that accounting understanding explains 29.1% of the variation in financial statement quality, while the remaining 70.9% is explained by factors outside the research model, such as educational attainment, business experience, the use of accounting information technology, internal control systems, accounting training, and the overall implementation of the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) (Mulyani, 2014).

4.1.7 Discussion

The findings of this study support Human Capital Theory proposed by Bank (1964), which suggests that accounting understanding represents an investment in knowledge that enhances individuals' capabilities and work performance. The positive regression coefficient of 0.507 indicates that a higher level of accounting understanding among business owners is associated with better financial statement quality. This finding is consistent with previous studies by Rudiantoro and Siregar (2012), reported that accounting understanding has a positive and significant effect on the quality of MSME financial statements, although their studies were conducted in different contexts. The consistency of these findings across various MSME settings strengthens the argument that accounting understanding is a relatively universal determinant of financial reporting quality, including in specialized sectors such as gold trading.

Table 1. Respondent Characteristics

Category	Group	Frequency	Percentage
Gender	Male	31	62.0%
Gender	Female	19	38.0%
Age	< 25 years	5	10.0%
Age	25–35 years	19	38.0%
Age	36–45 years	21	42.0%
Age	46–55 years	5	10.0%
Business Status	Business owner	44	88.0%
Business Status	Primary manager (non-owner)	6	12.0%
Years in Business	1–3 years	8	16.0%
Years in Business	3–5 years	11	22.0%
Years in Business	5–10 years	17	34.0%
Years in Business	> 10 years	14	28.0%

Category	Group	Frequency	Percentage
Primary Product	Gold jewelry	24	48.0%
Primary Product	Gold bullion	8	16.0%
Primary Product	Combination (jewelry & bullion)	18	36.0%
Record-Keeping Method	Manual (ledger)	32	64.0%
Record-Keeping Method	Accounting application/software	10	20.0%
Record-Keeping Method	No formal record-keeping	8	16.0%
Monthly Revenue	< IDR 50,000,000	12	24.0%
Monthly Revenue	IDR 50,000,000–150,000,000	21	42.0%
Monthly Revenue	IDR 150,000,001–300,000,000	12	24.0%
Monthly Revenue	> IDR 300,000,000	5	10.0%

From the perspective of Agency Theory Jensen and Meckling (1976), this positive relationship also suggests a reduction in information asymmetry between business owners and external stakeholders. Gold traders with better accounting understanding are more capable of preparing transparent and reliable financial statements, thereby increasing their credibility and improving their access to financing from formal financial institutions. Conversely, the finding that 64% of respondents still relied on manual bookkeeping and 16% did not maintain any formal financial records (Table 1) indicates that information asymmetry remains a significant concern in this business sector. Therefore, improving accounting understanding is important not only for internal business management but also for strengthening relationships with external stakeholders.

These findings also provide practical implications for various stakeholders. For gold business owners, the results emphasize the importance of investing time and resources in developing accounting knowledge through self-learning or training programs organized by relevant institutions. For local governments and market trader associations, the findings provide a basis for designing more targeted and sustainable accounting assistance programs that accommodate the unique transaction characteristics of gold trading businesses. For financial institutions, a better understanding of the financial recording practices of gold traders may facilitate the development of financing schemes that better reflect the actual conditions of these businesses, such as integrating financial reporting assistance into the loan application process.

The coefficient of determination ($R^2 = 0.291$) indicates that although accounting understanding has a significant effect on financial statement quality, its explanatory power remains relatively modest. The remaining 70.9% of the variation is explained by other factors, including business experience, the use of accounting information technology, and the implementation of the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM), as also reported by Mulyani (2014). These findings suggest that the quality of financial statements in micro and small enterprises is influenced by multiple factors rather than accounting understanding alone. Consequently, accounting understanding should be regarded as an important, but not the sole, determinant of financial reporting quality.

Accordingly, initiatives aimed at improving the financial reporting quality of gold traders should not focus exclusively on enhancing accounting understanding. Instead, they should adopt a more comprehensive approach by simultaneously promoting other supporting factors, such as providing user-friendly bookkeeping applications, offering continuous technical assistance from qualified professionals, and encouraging financial institutions to provide incentives for business owners who prepare financial statements in accordance with applicable accounting standards.

5. Conclusions

This study aimed to empirically examine the effect of accounting understanding among micro business owners on the quality of financial statements prepared by gold traders in Central Rappang Market, Sidenreng Rappang Regency. The descriptive analysis indicated that respondents generally demonstrated a moderate level of accounting understanding and financial statement quality. These findings suggest that although most business owners possess a basic understanding of financial record-keeping, its implementation has not yet fully complied with accounting principles and the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM).

The simple linear regression analysis produced the equation $Y = 21.727 + 0.507X$, indicating a positive relationship between accounting understanding and financial statement quality. The t-test results confirmed that this relationship was statistically significant ($t = 4.434 > 2.010$; $p = 0.000$), thereby supporting the proposed hypothesis (H1). Furthermore, the coefficient of determination ($R^2 = 0.291$) showed that accounting understanding explained 29.1% of the variation in financial statement quality, while the remaining 70.9% was attributable to other factors not included in the research model. Overall, the findings demonstrate that improving accounting understanding is an important step toward enhancing the quality of financial management and financial reporting among gold traders in Central Rappang Market. The results also emphasize that improving the quality of MSME financial statements, particularly in the gold trading sector, requires systematic efforts to strengthen accounting literacy through formal education, non-formal training, and continuous assistance provided by relevant stakeholders.

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Author Contributions

MJ conceptualized the study, developed the methodology, conducted data collection, performed the formal analysis, carried out the investigation, interpreted the data, prepared the original draft, and created the visualizations. WOR supervised the research, validated the methodology, critically reviewed and edited the manuscript, managed the project administration, and approved the final version of the manuscript. All authors have read and approved the final version of the manuscript.

Conflict of Interest

The authors declare that there are no financial, commercial, or personal relationships that could be construed as a potential conflict of interest regarding the publication of this research.

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