Factors Influencing the Compliance of Small and Medium Size Enterprises in the Banyumas Region of Indonesia Following SMEs Financial Accounting Standards

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Abstract: - This study aims to determine the effect of financial literacy, information technology, education level, firm age, owner's motivation, and firm size on the adoption of SMEs financial accounting standards (SMEs FAS) at the SMEs in the Banyumas region of Indonesia. By using a purposive sampling approach, from around 1,000 SMEs as the population, 130 were selected as a sample and the data was gathered by the distribution of questionnaires. Of 300 questionnaires during May-September 2024, 130 were returned. Then, multiple linear regression analysis was used to analyze the data. The results show that the information technology, education level, motivation, business age, and business size influence positively on the implementation of SMEs FAS, while financial literacy has no effect. With its limitations such as relatively few numbers of samples, this study contributes to developing knowledge in the field of accounting for SMEs, particularly in emerging countries such as Indonesia.

Key-Words: - Financial Literacy, Education Level, Information Technology, Owner Motivation, Business Age, Business Size, Implementation of SMEs FAS.

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1 Introduction

The presence of Small and Medium Enterprises (SMEs) in Indonesia has been acknowledged for an extended period. [1] explained that this type of enterprise is typically operated by Indigenous peoples and has been sustained across generations. This economic sector significantly aids in employment provision for the populace, particularly individuals with limited education, hence positively impacting governmental initiatives aimed at reducing unemployment rates. This situation is particularly evident in the Banyumas region of Indonesia, where numerous SMEs are flourishing due to the ongoing growth of the region, driven by the influx of students from outside who study and reside here.

[2], articulated that the success of managing SMEs extends beyond its impact on regional or national economic development; it also encompasses the efficiency, effectiveness, and consistency of business management. Moreover, another perspective posits that a business's primary success is determined by its ability to generate revenues that enhance the wealth of its owners. An additional sign of business success is the consistent allocation of owned resources and the capacity to attract investors for expansion along with its capacity to secure alternative financial sources, including bank loans.

For SMEs to attract investors and secure bank funding, they must accurately construct their financial reports to gain the trust of all relevant stakeholders. The report must reference the SME's financial accounting standards (SMEs FAS) established by the Indonesian Institute of Accountants (IIA). Interested parties, including potential investors and banks, will utilize the financial report to assess their judgments concerning investment or finance for the business. When SMEs compile their financial reports in compliance with the SME's FAS, they will garner greater trust from stakeholders.

Numerous prior research has indicated that certain elements are believed to affect SMEs' compliance with SMEs FAS in the preparation of their financial reports. This study deems it essential to analyze characteristics such as financial literacy, technological information, educational attainment, business age, owner motivation, and business size, and assess their impact on SMEs' compliance with financial reporting as per SMEs FAS.

Financial literacy is crucial for SME owners or managers as it equips them with the necessary knowledge to create their business financial reports. Generally, financially knowledgeable firm owners exhibit greater care for accurately preparing financial reports in accordance with the SMEs FAS, [3].

A further factor believed to affect SMEs' compliance with SMEs FAS in the financial reporting process is the sophistication of their information technology. As a business's information technology becomes more sophisticated, it will more effectively promote adherence to relevant accounting rules. Businesses that embrace progressively sophisticated information technology typically exhibit perfectionism in their management practices, particularly in financial reporting, [4].

Moreover, the variable believed to affect SMEs' adherence to financial reporting standards as per SMEs FAS is the educational attainment of the business owner. A greater level of education in the business owner correlates with an increased knowledge requisite for managing the business, including the preparation of financial reports. This will further incentivize the business owner to adhere to the preparation of their financial reports in accordance with SMEs FAS, [5].

Moreover, the age of a business is believed to influence its adherence to the preparation of financial reports in accordance with SMEs FAS. The longevity of a firm correlates with the maturity of its management, enabling it to endure in a competitive market. Typically, management maturity results in enhanced professionalism across all facets of the firm, including the drafting of financial reports, [6].

The degree of compliance of SMEs with SMEs FAS is significantly influenced by the owner's motivation. Motivation compels an individual to exhibit considerable enthusiasm for an activity. Similarly, when a business owner possesses strong motivation to operate his enterprise professionally, it will inevitably prompt the business to implement systematic document management. Incorporating systematic adherence to relevant reporting standards during the preparation of financial statements by the business, [7].

The compliance level of SMEs in compiling financial reports pursuant to SMEs FAS will also be significantly affected by the size of the business, in addition to the aforementioned variables. Typically, a larger corporation possesses greater resources for management. This encompasses a greater caliber of human resources in comparison to organizations that remain comparatively small. Utilizing these resources, a larger enterprise will endeavor to run its operations properly, hence promoting more compliance with SMEs FAS in financial reporting.

Based on the background of the problem that has been described, the problem formulation can be prepared as follows:

1. Does financial literacy have a positive influence on the compliance of SMEs to follow SMEs FAS?
2. Does information technology have a positive influence on the compliance of SMEs to follow SMEs FAS?
3. Does the level of education have a positive influence on the compliance of SMEs to follow SMEs FAS?
4. Does the business age have a positive influence on the compliance of SMEs to follow SMEs FAS?
5. Does the owner's motivation have a positive influence on the compliance of SMEs to follow SMEs FAS?
6. Does the business size have a positive influence on the compliance of SMEs to follow SMEs FAS?

2 Literature Review and Hypotheses Development

2.1 Literature Review

This study employs the resource-based view (RBV) formulated in [8], to elucidate the phenomena associated with the variables examined in this research. This theory explains how a firm endeavors to allocate its limited resources to sustain operations in the face of intensifying competition. A business can achieve this when it possesses a particular competitive edge. A competitive advantage will be achieved if a corporation can manage its resources effectively and efficiently through targeted resource management. Resource management will encompass all resources owned by the firm, including human resources, capital, assets, and infrastructure, which are managed efficiently to achieve business objectives. In other terms, RBV will elucidate the correlation among competitive advantage, resource management efficiency and effectiveness, profitability, and related factors. The RBV posits that a business will endure and expand if it can effectively manage, allocate, and control all of its strategic assets, both tangible and intangible, [9].

2.2 Hypotheses Development

2.2.1 The Influence of Financial Literacy on the Compliance of SMEs to Follow SMEs FAS

The RBV states a firm can enhance its potential to optimize performance and attain competitive advantage, [10]. This can be accomplished by establishing a competitive advantage derived from the distinctiveness of its resources that competitors lack. Should this condition be attained and sustained, a business will secure and uphold its competitive advantage. An advantage of corporate management that is anticipated to aid in acquiring and sustaining competitive advantage is financial literacy. With proficient financial literacy, a corporation will possess a heightened awareness of the significance of creating financial reports in accordance with generally accepted accounting principles. A business's financial literacy directly correlates with its compliance in preparing financial reports in accordance with SMEs FAS, [11].

Multiple prior studies substantiate the aforementioned argument, including those in [12]. Moreover, [13], discovered that financial literacy positively and significantly influences the financial behavior of SMEs. Similarly, [14], recorded the affirmative correlation between financial literacy and financial management behavior. Furthermore, [14], identified a strong correlation between financial literacy and the professionalism of financial reporting.

The initial hypothesis of this study is established based on multiple arguments derived from the RBV theory and prior research.

H_1: Financial literacy influences positively on the compliance of SMEs to follow SMEs FAS?

2.2.2 The Influence of Information Technology on The Compliance of SMEs to Follow SMEs FAS

RBV framework states that a company's resources are classified into three categories: physical resources, human resources, and organizational resources, [15]. The optimal usage of these resources will undoubtedly yield greater benefits for the organization. Physical resources encompass the use of information technology and its ancillary infrastructure. The prevalence of information technology is currently ubiquitous among SMEs. SME proprietors utilize information technology encompassing accounting software, e-commerce for trading, and financial technology tools to streamline transaction management with customers, [15].

The utilization of accounting software by SMEs is prevalent; nevertheless, the distinguishing factor is the sophistication of the software, which is mostly contingent upon the size of the SME. Small firms typically use accounting software that is straightforward and user-friendly, provided it adequately meets their transaction recording requirements. Numerous companies already offer straightforward, cost-effective accounting software that adequately manages small business operations. Concurrently, medium-sized enterprises are utilizing contemporary accounting software capable of managing increasingly intricate operations. This indicates that as the size of a SME increases, the complexity of the required accounting software also escalates, due to the greater volume and diversity of financial transactions conducted.

The adoption of e-commerce by SMEs has become increasingly prevalent during the past decade. Numerous SMEs promote their products through e-commerce platforms such as Shopee, Bukalapak, Tokopedia, and others. They undertake this to further augment their market share, hence increasing the business's turnover. Numerous prior research has indicated that e-commerce utilization significantly enhances the annual sales turnover of SMEs, [15].

Similarly, the application of financial technology (FinTech) in facilitating transactions for SMEs has been extensively utilized. The utilization of FinTech is highly accessible and advantageous for both merchants and customers. This FinTech tool enables SMEs to conduct commercial transactions through non-cash payments, enhancing the security of their assets. In Indonesia, a widely utilized FinTech for managing SME trading transactions is the Quick Response Code Indonesian Standard (QRIS), a national QR code standard established to streamline QR code payments, launched by Bank Indonesia and the Indonesian Payment System Association (ASPI) on August 17, 2019, [15].

Numerous prior studies have demonstrated that the utilization of information technology positively influences the quality of financial reporting among SMEs, indicating a high level of compliance with SMEs FAS in financial report preparation. These studies include those in [15]. Across various time periods and locations, these studies revealed that the utilization of information technology in facilitating SMEs' transactions significantly enhanced the quality of their financial reporting, thereby indicating a heightened level of compliance with SMEs FAS in the preparation of financial reports.

Consequently, the second hypothesis of this study is articulated as follows:
H_2: Information technology has a positive influence on the compliance of SMEs to follow SMEs FAS

2.2.3 The Effect of Educational Level on the Compliance of SMEs to follow SMEs FAS

The educational attainment of SME owners, from the RBV perspective, is classified as human capital that must be effectively managed to enhance corporate profitability, [9], [10]. A person's educational attainment significantly impacts their approach to addressing and resolving diverse issues, particularly those pertinent to business management. Generally, those with higher education possess more advanced perspectives and information, which becomes beneficial in decision-making processes within corporate management, particularly with the enhancement of financial reporting. Financial reports will be optimal if the preparation process adheres rigorously to the relevant reporting requirements, specifically SMEs FAS.

As SME owners attain higher education, they will progressively leverage their insights to refine and enhance their enterprises by utilizing all available resources to secure a competitive advantage, ensuring the sustainability and growth of the enterprise. Requests from prospective investors and creditors for financial reports accompanying loan or investment proposals will be addressed more proficiently when the SME owner possesses sufficient education. His educational experience will compel him to consistently excel in business management, particularly in the preparation of financial reports for external stakeholders, including prospective investors and creditors.

The preceding works that substantiate this thesis include, [16]. The studies indicated that a higher degree of education among SME owners/managers correlates with a greater propensity to pursue enhancements and refinements in their business processes, particularly in financial reporting. The education of SME owners will enhance their awareness to attain these objectives. The third hypothesis of this study is established based on these diverse references.

H_3 = Education level influences on the compliance of SMEs to follow SMEs FAS

2.2.4 The Effect of Motivation on the Compliance of SMEs to follow SMEs FAS

Motivation is the impetus for an individual to attain their objectives. An individual with the motivation to enhance their organization will recognize the advantages of utilizing financial reports in accordance with SMEs FAS for their business advancement, [17], [18]. According to the Theory of Planned Behavior, the intention to perform an action may stem from the motivation experienced by SME actors throughout the establishment or operation of their enterprises. Once the intention is established, elements that affect an individual's attitude towards the behavior will arise, hence enhancing the person's confidence and motivation to perform bookkeeping in line with SMEs FAS. Prior research in [16], indicated that motivation significantly impacts the execution of FAS in SMEs. Similarly, a study revealed that motivation influences the utilization of FAS SMEs by small and medium enterprises.

Based on the above argument, the next hypothesis is:
H_4: Owner's motivation has a positive influence on the compliance of SMEs to follow SMEs FAS

2.2.5 The Effect of Business Age on the Compliance of SMEs to Follow SMEs FAS

The business age refers to the duration that small and medium-sized enterprises (SMEs) have been operational, [17]. Long-established SMEs will progressively recognize the need to maintain accounting records for their operations. [17] asserted that the age of an SME with more systematic records correlates positively. This indicates that the longer an SME has been operational, the more its comprehension of the increasingly intricate business operations, resulting in heightened documentation requirements and adherence to the recording standards set forth by the SMEs FAS. Prior research in [17], shows that a company's age positively influences the implementation of SMEs FAS. Similarly, [18], discovered that the age of a business positively influences the implementation of Financial Accounting Standards in SMEs. Additional studies with comparable findings include those in [18], which show that the age of a business influences the implementation of SMEs FAS.

Based on the above argument, the next hypothesis is:
H_5: business age has a positive influence on the compliance of SMEs to follow SMEs FAS

2.2.6 The Effect of Business Size on the Compliance of SMEs to follow SMEs FAS

The size of a company refers to the magnitude of the firm being handled, typically assessed by its turnover. The company's turnover is derived from its sales over a specific timeframe. The income in issue is the gross income of the company, unadjusted for any expenses, so indicating the scale of the business operations. As a company's income or sales rise, the necessity for financial reporting information intensifies, prompting the business to compile its financial statements in compliance with SMEs FAS. [19] demonstrated that business turnover positively influences the implementation of Financial Accounting Standards among SME practitioners. Similarly, the research conducted in [20], [21], demonstrated that firm size positively influences the application of FAS in SMEs.

Based on the above argument, the next hypothesis is:
H_6: business size has a positive influence on the compliance of SMEs to follow SMEs FAS

3 Research Methodology

3.1 Research Design

This study uses a quantitative approach where data is obtained through the distribution of questionnaires to respondents. As respondents in this study are SME owners in the Banyumas Region of Indonesia. This study disseminated 300 questionnaires to participants during May-September 2024, of which 130 were returned in satisfactory condition and were appropriate for analysis.

3.2 Variables Measurement

The dependent variable in this study is the adoption of SMEs FAS by the SMEs in the Banyumas region of Indonesia. SMEs FAS is a financial accounting standard designed to aid SMEs in the preparation of financial reports in compliance with relevant regulations. [4], asserts that the presence of SMEs FAS aids stakeholders in SMEs in comprehending the preparation and presentation of financial reports, a prerequisite for obtaining bank credit in the financial sector. The indicators included in this variable were adapted from [4], namely as follows:

a. SMEs recognize the availability of accounting standards that facilitate the preparation of financial reports.
b. SMEs may comprehend the formulation of financial reports in accordance with accounting principles.
c. SMEs have commenced the implementation of Financial Accounting Standards for SMEs in the preparation of financial reports.

The independent variables employed in this study are:

Financial Literacy (FIN)

According to [4], financial literacy is the most potent instrument for promoting financial growth in households and enterprises. Financial literacy can enhance financial management skills, hence augmenting revenue. The indicators included in this study were adapted from the research conducted in [4] as detailed below:

a) Proficiency in financial planning and management for SMEs.
b) Proficiency in documenting financial revenues and expenditures for SMEs.
c) Understanding of investment.
d) Understanding of credit.

Information Technology (IT)

Information technology exemplifies contemporary advancements. Information technology will enhance convenience, efficiency, and practicality in the preparation of financial reports, [4]. The indicators included in this variable were adapted from the studies conducted in [4], as detailed below:

a) SMEs employ information technology to streamline the creation of financial reports including accounting software, e-commerce platforms, and financial technology solutions.
b) The application of information technology in the financial report preparation process.

Level of Education (EDU)

Education encompasses all aspects of human development, including physical growth, cognitive processes, emotions, social competencies, and belief systems, [11], assert that for SMEs to comprehend accounting, they must possess human resources with at least a high school education, preferably with a background in accounting. This research utilizes indicators from [4], to measure factors, namely the highest degree of education attained.

Owner's Motivation (MOTIV)

A highly motivated person can understand the benefits of using FAS SMEs for the progress of his company, [8]. In this study, motivation was measured by an indicator, namely the intention of SME owners to manage financial reporting according to SMEs FAS.

Business Age (AGE)

This study assesses a business's age by determining the number of years it has been in operation. The age of a business is determined by the number of years since its establishment at the time of the investigation.

Business Size (SIZE)

This study assesses business size based on the turnover generated by the company in the preceding full year prior to the research.

3.3 Data Analysis

This study commences data analysis with validity and reliability assessments, followed by descriptive statistical analysis, and classical assumption tests including normality, multicollinearity, heteroscedasticity, and linearity tests, culminating in hypothesis testing. Testing multiple linear regression using the subsequent equation:

$$\text{SMEs FAS} = \alpha + \beta_1\text{FIN} + \beta_2\text{IT} + \beta_3\text{EDU} + \beta_4\text{MOTIV} + \beta_5\text{AGE} + \beta_6\text{Size} + e$$

where:

SMEs FAS = The compliance of SMEs to follow SMEs FAS

α	= Constanta
β	= regression coefficeint
FIN	= Financial literacy
IT	= Information technology
EDU	= Education level
MOTIV	= Owner's motivation
AGE	= Business Age
Size	= Business Size
e	= error

4 Findings and Discussions

4.1 Findings

The validity assessment was conducted via Pearson correlation. The validity testing findings for each question item across all variables indicate that the r-statistics exceed the r-table, signifying that the tested variable is legitimate. Furthermore, the reliability assessment utilizing Cronbach's Alpha (α) indicates that all variables possess a Cronbach's Alpha value exceeding 0.6. It signifies that all instruments for each variable exhibit reliability. Consequently, the outcome of the descriptive statistics is presented in Table 1 (Appendix).

Table 1 (Appendix) indicates that the descriptive statistical analysis from SPSS version 25 reveals financial literacy (FIN) has a minimum value of 3.50, a maximum value of 4.92, a mean of 4.19, and a median of 4.17, suggesting that respondents generally concur with the financial literacy inquiries. The information technology (IT) variable demonstrates a minimum value of 2.50, a maximum value of 5.00, an average of 4.32, and a median of 4.33, indicating a prevailing consensus among respondents. The education level variable (EDU) spans from a minimum of 1.00 to a maximum of 5.00, with a mean of 3.32 and a median of 3.00, indicating that the majority of respondents hold a Diploma or Bachelor's degree in a non-accounting field. The owner's motivation (MOTIV) variable demonstrates a minimum value of 3.00, a maximum value of 5.00, an average of 4.12, and a median of 4.00, suggesting that respondents predominantly agree with the questions on the owner's motive. The variable denoting business age (AGE) spans from a minimum of 2.00 to a maximum of 5.00, with a mean of 3.85 and a median of 3.00, indicating that the majority of respondents have been in operation for a period of 3.1 to 5 years. The business size (SIZE) variable spans from a minimum of 1.00 to a high of 3.00, with a mean of 2.10 and a median of 1.50, indicating that the majority of respondents manage small enterprises (annual revenue between Rp300,000,000 and Rp2,500,000,000). The dependent variable for the implementation of SME FAS varies from a minimum of 2.17 to a maximum of 4.67, with a mean of 3.15 and a median of 3.00. This indicates that the majority of respondents hold a neutral view on the implementation of SMEs FAS, suggesting that the level of implementation in SMEs within the Banyumas Regency is moderate; it has begun but is not yet fully compliant with SME FAS regulations.

Furthermore, concerning the standard assumption test of regression, the results indicate that the normality test, conducted using the Kolmogorov-Smirnov Test, yields an asymptotic significance greater than 0.05 for all variables. The data are typically distributed. The multicollinearity test indicates that each variable has a VIF value of < 10 and a tolerance of ≥ 0.10. This indicates the absence of multicollinearity in the model. The Glejser test for heteroscedasticity indicates that the result for each variable exceeds 0.05. This model is devoid of the heteroscedasticity issue.

Table 2. The Output of Multiple Linear regression

Variable	Coefficient Regression	$t_{statistics}$	*Sig.*
FIN	0.020	0.203	0.840
IT	0.166	2.533	0.013
EDU	0.819	5.497	0.021
MOTIV	0.167	2.533	0.013
AGE	0.125	3.186	0.026
SIZE	0.625	12.006	0.000
constanta	32.727	0.854	0.396
R	0.873		
R *Square*	0.762		
Adjusted R Square	0.749		
F statistics	58.473		
F *Sig*	0.000		

Table 2 presents the results of the regression analysis, indicating that the significant values for FIN, IT, EDU, MOTIV, AGE, and SIZE are 0.840, 0.013, 0.021, 0.013, 0.026, and 0.000, respectively. This indicates that nearly all independent variables in this study has a significance value less than 0.005, with the exception of FIN, which has a significance value of 0.840. It can be established that nearly all independent variables—IT, EDU, MOTIV, AGE, and SIZE—exert a strong beneficial influence on SMEs' compliance with SMEs FAS. FIN does not influence the adherence of SMEs to the SMEs FAS.

The multiple linear regression analysis yielded the following regression equation:
SMEs FAS = 32.727 + 0.020FIN + 1.66IT + 0.819EDU + 0.167MOTIV+ 0.125AGE + 0.625SIZE + e

4.2 Discussion

4.2.1 The Influence of Financial Literacy on the Compliance of SMEs to Follow SMEs FAS

This study indicates that the first hypothesis was denied based on the results of the partial test of financial literacy (FIN) conducted on SMEs FAS. It indicates that financial literacy does not affect the adherence of SMEs to SMEs FAS in Banyumas. Financial literacy denotes an individual's proficiency in financial ideas. Financial literacy aids business professionals in financial management, encompassing planning, budgeting, investing, and fundamental financial principles.

This study does not validate the Resource Based View (RBV), which posits that competitive advantage is achieved via the optimization of intangible assets, including human resources. Research on SMEs in Banyumas indicates that SME operators exhibit low financial literacy. The data reveals that not all SME operators possess education in accounting or finance, which is essential for understanding financial literacy. This finding is corroborated by various observations made during the research. Small and medium-sized enterprises lack comprehension of financial literacy. This arises from insufficient financial socialization within the SME sector, particularly in Banyumas; nonetheless, this does not hinder SMEs from competing with other enterprises nor does it impact their adherence to SMEs FAS in the preparation of financial reports.

The findings of this study contradict the research conducted in [7], which indicates that financial literacy positively and significantly influences the financial behavior of SMEs. The significant aspects of this research are income, expenditure (spending literacy), credit literacy, savings literacy, and investment literacy. The research findings contradict those of [13], [14], which indicate that financial literacy positively impacts financial management among SME members. However, this finding is in line with [4].

4.2.2 The Influence of Information Technology on the Compliance of SMEs to Follow SMEs FAS

The research findings indicate that the impact of information technology on the adherence of SMEs to SMEs FAS in this study is affirmed. The utilization of information technology significantly aids in the preparation of financial reports. Consequently, the more the involvement of SMEs in IT management, the higher the adherence of SMEs to SMEs FAS in the preparation of financial reports. This aligns with the research findings derived from respondent answers.

The utilization of information technology, such as accounting software, e-commerce platforms, and financial technology, offers numerous advantages, specifically enhancing time efficiency in the preparation of financial reports and improving the accuracy of the resultant reports, thereby reflecting the quality of the documentation. This information technology serves as an alternative approach in the preparation of financial reports.

This survey included open-ended questions that respondents could answer at their discretion. Researchers inquired if information technology could facilitate the preparation of financial reports for managed SMEs. Ramdan, proprietor of Piknik Café, stated: "We utilize current technology to document transactions, yet we still prepare financial reports manually using existing methods."

Ramdan asserts that the Piknik Café SME he owns has documented all transactions utilizing technology advancements; yet, the financial records are still prepared manually. Another respondent addressed the open topic in the information technology questionnaire presented by Pangestu, the proprietor of a restaurant in Banyumas, stating: "At present, we do not utilize an application for financial reporting; we still perform this task manually based on our requirements." Pangestu asserts that his SME restaurant firm continues to maintain manual and simplistic record-keeping.

It may be stated that SMEs in Banyumas have documented and prepared financial reports, albeit employing manual and rudimentary ways without fully leveraging technological advancements. A financial report generated by software does not inherently guarantee quality; other elements contribute to this, one of which is the presence of skilled human resources, as they are likely to possess a comprehensive understanding of financial reports. The integration of proficient human resources with technology advancements, encompassing both hardware and software, constitutes an advantageous synergy for generating high-quality financial reports.

This research aligns with [9] and [16], which posits that a business must effectively employ and manage its resources, including technological expertise, to attain a competitive advantage. Contemporary technology significantly enhances human lives by facilitating tasks across diverse domains, including the financial sector. The benefits of technology in the financial sector can expedite transaction recording and facilitate the preparation of financial reporting. Additionally, technological advancements might reduce the significant incidence of data input errors. Nevertheless, research findings on restaurant SMEs in Banyumas indicate that numerous SMEs do not utilize information technology for their operational activities, particularly in the preparation of financial reports, which are still generated through manual methods. Furthermore, the human resources within these restaurant SMEs in Banyumas exhibit a limited understanding of application usage. Current financial constraints and insufficient motivation to pursue advancements in information technology. The predominant reason is that most SME restaurant enterprises in Banyumas remain small-scale, with relatively few and uncomplicated transactions, thus relying on basic recordkeeping and bookkeeping for financial reports. A further concern is insufficient knowledge regarding apps for transactional requirements and financial reporting.

This study aligns with the findings of [22], [23], which demonstrate that information technology positively influences the quality of SMEs financial reports. [4] asserted that the application of information technology positively and significantly influences the quality of SME financial reporting. The utilization of information technology in the preparation of financial reports can enhance the quality of these reports and facilitate financial decision-making for SMEs.

4.2.3 The Influence of Education Level on the Compliance of SMEs to Follow SMEs FAS

The second hypothesis in this investigation was accepted for testing. A significant number of responders possess a non-accounting educational background. Educational attainment can enhance an individual's comprehension of the subject matter and demonstrate their accountability for their responsibilities. Education is a systematic procedure designed to enhance knowledge. This research indicates that educational attainment does not significantly influence the quality of financial reports, as most SME owners/managers in Banyumas lack an educational background in accounting.

The research findings validate the Resource Based Theory, which posits that a business can generate additional value by optimizing its intellectual capital, specifically structural capital, employed capital, and human capital (workers). Human capital refers to human resources, specifically in the context of education. Human resources inside a firm are crucial, particularly those that are accountable, knowledgeable, and possess experience in their respective jobs. Human resources are the primary element in corporate operations, necessitating personnel with high integrity within the organization. Research conducted on SMEs in Banyumas indicates that the education level of SME operators does not influence the quality of financial reporting.

The finding of this study is supported in [19], where education level influences positively on the SMEs quality of financial reporting by following particular accounting standards. Similarly, [24], also supports the finding in this study.

4.2.4 The Influence of Owner's Motivation on the Compliance of SMEs to Follow FAS SMEs

The test findings accept the hypothesis, indicating that motivation positively influences the compliance of SMEs in the Banyumas region to implement the FAS SMEs in preparing the financial statements. An exceptionally driven individual may comprehend the advantages of employing FAS SMEs for the advancement of their organization, [6], [7].

According to the Theory of Planned Behavior, the intention to act may stem from the motivation experienced by SME actors throughout the establishment or operation of a firm. Once the intention is established, elements that affect an individual's attitude towards the behavior will arise, hence enhancing the person's confidence and motivation to perform bookkeeping in line with FAS SMEs, [21]. This study contends, contrary to the assertions of [15] that motivation is irrelevant to the implementation of FAS SMES in managing the SMEs, that motivation significantly influences the implementation of FAS SMEs in SMEs, aligning with the findings of [21].

4.2.5 The Influence of Business Age on the Compliance of SMEs to Follow FAS SMEs

Based on the test findings, the hypothesis is accepted; hence, it can be inferred that the Business Age influences positively on the implementation of FAS SMEs for SMEs in the Banyumas region of Indonesia. The operational mindset, actions, and behaviors of business players are influenced by the company's age. To ensure the sustainability of their enterprises, business owners must make decisions that promote the longevity of their operations. The more the company's activity, the more critical it is for the financial report information to be reliable and accurate.

Financial reports generated in compliance with standards can assist organizations in decision-making, [15]. This finding aligns with the Theory of Planned Behavior. An increase in the factors of business age, prior experience, and shifts in perception regarding the simplicity of preparing financial reports will enhance SMEs' comprehension of financial report preparation in accordance with FAS SMEs, [7]. This study's findings reinforce the conclusions of, [24], which identified a positive association between firm age and the application of FAS SMEs, in contrast to the earlier research in [20], which showed no such correlation.

4.2.6 The Influence of Business Size on the Compliance of SMEs to Follow FAS SMEs

The acceptance of the hypothesis indicates that Business Size positively influences the compliance of SMEs in the Banyumas region of Indonesia to follow FAS SMEs in preparing financial statements. The comprehension of SMEs participants in the preparation of financial reports according to FAS SMEs is affected by the scale of their business operations. This results from the relationship between business size and the growing demand for operational capital. The necessity for this capital prompts SME owners to begin contemplating and acquiring knowledge on the preparation of financial reports in compliance with the FAS SME guidelines, [15].

The Theory of Planned Behavior posits that if SMEs operate on a substantial size requiring bookkeeping, it can enhance their purpose to comprehend bookkeeping in alignment with FAS SMEs, [7]. This study concurs with [20], that company size influences SMEs' comprehension of financial report preparation utilizing FAS SMEs.

5 Conclusion

Financial literacy does not influence the compliance of SMEs in Banyumas with SMEs FAS. Furthermore, information technology, educational attainment, owner motivation, business age, and business size greatly impact the compliance of SMEs in the Banyumas region of Indonesia with SMEs FAS.

The investigation and conclusions indicate that financial literacy does not influence the compliance of SMEs in Banyumas with FAS SMEs. This occurs because SMEs in Banyumas acquire knowledge regarding finance and business management not through literature, but through the exchange of insights on business management, capital allocation, and financial reporting with other SMEs within an organized group. SME participants should enhance their financial literacy by consulting several sources to acquire the most current insights on business finance.

According to the research findings, the level of education positively influences the compliance of SMEs in Banyumas with FAS SMEs. In this progressively evolved era, education is crucial for enhancing comprehension in various domains, particularly in accounting and finance, which significantly impacts knowledge of personal finance and the ability to effectively utilize available financial resources. It is very beneficial for entrepreneurs or business owners to prepare a business budget to avoid incurring losses. SME participants lacking an educational background in accounting must enhance their understanding of finance and financial reports, which are essential for business sustainability.

The research findings indicated that information technology positively influences the compliance of SMEs in Banyumas with FAS SME regulations. Small and medium-sized enterprises (SMEs) continue to employ rudimentary methods for financial reporting, frequently resulting in recording errors, which leads to disorganized financial reports due to human processing. In the current era, SMEs must use technological advancements across all operational activities, particularly in transaction recording and financial reporting.

Likewise, the greater the motive of the business owner to adhere to FAS SMEs as reporting standards, the more likely they are to comply with these standards in managing their financial affairs. Similarly, it is pertinent to business age and business size.

Further research is anticipated to examine additional variables, including tax preparation, business characteristics, and the skill of financial management. The expectation is that it will yield more comprehensive research findings in examining variables believed to exert significant effects.

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APPENDIX

Table 1. Descriptive Statistics

	FIN	IT	EDU	MOTIV	AGE	Size	SMEs FAS
Mean	4.19	4.32	3.32	4.12	3.85	2.10	3.15
Median	4.17	4.33	3.00	4.00	3.00	1.50	3.00
Std. Deviation	2.91	4.52	2.26	3.28	4.60	2.49	5.60
Minimum	3.50	2.50	1.00	3.00	2.00	1.00	2.17
Maximum	4.92	5.00	5.00	5.00	5.00	3.00	4.67

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Conflict of Interest

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