

## **Determinants of SME Performance in the Perspective of Knowledge Based View in Denpasar, Bali-Indonesia**



**Komang Ayu Gyan Vigyani<sup>1</sup>, A.A. Ketut Jayawarsa<sup>2</sup>, A.A. Ayu Erna Trisnadewi<sup>3</sup>**

<sup>1,2,3</sup>Faculty of Economics and Business, Warmadewa University, Denpasar Bali –Indonesia

**ABSTRACT:** This study aims to analyze empirically the effect of the application of Accounting Information Systems, Accounting Knowledge, and Financial Literacy on the performance of SMEs in Denpasar City during the Covid-19 Pandemic. The population and sample in this study used a simple random sampling method of 94 SMEs in Denpasar City. Data were collected using a questionnaire. Then the data used in this study was processed with the help of the IBM SPSS Statistics version 26 program. The source of the data used was primary data. The results showed that the application of Accounting Information Systems, Accounting Knowledge and Financial Literacy had a positive and significant impact on the performance of SMEs in Denpasar City during the Covid-19 pandemic.

**KEYWORDS:** Implementation of Accounting Information Systems, Accounting Knowledge, Financial Literacy, SME Performance.

### **I. INTRODUCTION**

Micro, Small and Medium Enterprises (MSMEs) have an important role in creating jobs, improving people's welfare and ultimately improving the economy in Indonesia (Satya & Pramuki, 2021). So far, the role of MSMEs is believed to be able to move the economy of a region or country, as stated by the Indonesian MSME Association (Akumindo) that in 2020 the contribution of MSMEs to Indonesia's Gross Domestic Product (GDP) will reach 65% or around Rp. 2394.5 Trillion (Ingratubon, 2020; Yuliantari & Pramuki, 2021).

However, with the COVID-19 pandemic, almost all MSMEs nationally and especially in Bali experienced a decline in performance (Pramuki & Kusumawati, 2020). The LIPI Economic Research Center has conducted a Rapid Assessment Survey on the Impact of the COVID-19 Pandemic on the Performance of Indonesian MSMEs. The COVID-19 pandemic has caused operating profits to decrease significantly as production costs remain or even increase while sales decline. Business costs that have increased during the pandemic are raw materials, transportation, labor, and other costs. The survey also collects the perception of business actors regarding the vulnerability of MSMEs to close their businesses if the pandemic does not end soon. The existence of MSMEs which are the pillars of Bali's economy has now collapsed due to the impact of the COVID-19 pandemic (Widnyani et al., 2021).

If this decline in performance continues, it will result in the closure of SMEs during this pandemic. Therefore, there are several factors that must be considered related to the Performance of Small and Medium Enterprises so that these SMEs can survive and run their business smoothly. Factors that are thought to affect the performance of MSMEs include the application of accounting information systems (Ermawati & Arumsari, 2021); accounting knowledge (Burhanuddin, C. I., Amran, A., Abdi, N., & Pelu, 2021) and financial literacy (Suryandari & Muniroh, 2020)

Accounting Information System is a system that collects, records, stores, and processes data to produce information for decision makers (Romney & Steinbart, 2015). The application of an accounting information system is the implementation of the use of information technology in running their business. The application of an accounting information system and high knowledge possessed in the business will make it easier for SMEs to process transactions, be it in sales, purchases, or other transactions that can increase business income while improving the performance of SMEs (Ermawati & Arumsari, 2021)

The importance of implementing an Accounting Information System (AIS) in both small and large-scale entities such as SMEs is due to the fact that accounting information systems produce reliable and well-tested financial information to assist in making future business decisions. (Mulyanti, 2021; Sopian & Suwartika, 2019). In addition, with the proper implementation of an accounting information system, SMEs can provide more complete and structured information related to their business and financial position. (Prastika & Purnomo, 2019). This is also in line with the Knowledge Based View (KBV) theory where knowledge is very important in implementing accounting information systems. Different research results were found by (Ermawati & Arumsari, 2021).

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Accounting knowledge is knowledge that is both declarative and procedural, both as a science to process accounting transactions into financial information that is used for the benefit of its users.(Lestari, 2019).If SME actors have good accounting knowledge, then SME actors will be able to carry out the accounting process properly so that the calculation of cost of goods, the presentation of financial accounting information will be carried out adequately and can be used as a basis for decision making so that this can increase income while improving the performance of SMEs. .

Accounting knowledge does not only need to be owned by company owners, but also by stakeholders towards business owners (Lestari, 2019). Here SMEs who have high knowledge in compiling financial reports will certainly find it easier to make decisions(Ermawati & Arumsari, 2021). However, in reality, most small entrepreneurs in Indonesia have minimal knowledge of accounting. Therefore, Small and Medium Enterprises must at least have good accounting knowledge for the sake of running their business so that they run smoothly, especially the current conditions of the worrying Covid-19 pandemic. SMEs in order to continue to survive (Ermawati & Arumsari, 2021). The results of this study are in line with Research (Ermawati & Arumsari, 2021; Lestari, 2019; Prastika & Purnomo, 2019). The results of this study were different found by (Burhanuddin, C. I., Amran, A., Abdi, N., & Pelu, 2021). In accordance with the Knowledge Based View theory, the success of a business must be balanced with a high level of knowledge from SMEs.

Another factor that can affect the performance of MSMEs is financial literacy. Financial literacy is knowledge, confidence, and skills that influence attitudes and behavior to improve the quality of decision making and financial management in order to achieve prosperity (Financial Services Authority Regulation, 2016) Number 76/POJK.07/2016. Financial literacy is how a person manages finances and makes the right decisions regarding financial management issues (Suryandari & Muniroh, 2020). If SME actors have good financial literacy and have financial knowledge of their business, then SME actors will be able to prevent risks that occur so that this can increase income while improving SME performance.

In order to improve the performance and sustainability of MSMEs for the long term, strategic efforts are needed, such as: enriching the knowledge of MSME actors about financial management and accountability. This needs to be done so that MSMEs can better account for their finances and regularly like large companies. So far, many MSME actors have not paid attention to the financial management of their business by combining their personal money and business money. This is one of the factors that hinder the development of MSMEs. The results of this study are in line with research (Burhanuddin, C. I., Amran, A., Abdi, N., & Pelu, 2021; Suryandari & Muniroh, 2020) Conflicting research results were found with findings (Kusumadewi, 2017).

This study aims to re-confirm the findings of previous studies that are still inconsistent based on the knowledge-based view theory (KBV). In KBV theory it is emphasized that companies develop new knowledge that is important to build competitive advantage from the unique combination of existing knowledge (Devi et al., 2017). Furthermore, to fill the research gap based on empirical findings based on the view of the KBV theory, the research was carried out using a different place, namely in MSMEs in Denpasar City. MSMEs in Denpasar City are unique with other MSMEs in Bali or in Indonesia, that Denpasar City is a business center and at the same time a business city in the province of Bali. In order to survive and be more competitive, the uniqueness of the product needs to be maintained and improved. It is hoped that the research findings can further clarify the relationship between the various components of knowledge in the MSME sector so that financial performance can be improved comprehensively

## II. METHOD

This research approach is quantitative research with the object being the people of Denpasar city, especially small business actors who are still actively carrying out their activities in the research period, namely the period January to March 2022. The population in this study is small business actors as many as 1,489 SMEs in Denpasar. With the Slovin approach at an error threshold of 10%, the minimum number of samples obtained is 94 SMEs which are distributed randomly. The variable of information system implementation is measured by 4 indicators, namely 1) User Satisfaction 2) Frequency of System Users 3) User involvement in the development of Accounting Information systems 4) User Training and Education (Ni Kadek Yuniati, 2021). The variable of accounting knowledge is measured by 3 indicators, namely 1) declarative accounting knowledge. 2) Knowledge of procedural accounting (Lestari, 2019) Financial literacy variable is measured using 4 indicators, namely 1) Knowledge 2) Skills, 3) Attitude 4) Behavior (Suryandari & Muniroh, 2020). The SME performance variable is measured by 3 indicators, namely 1) profitability growth, 2) customer growth, 3) Sales growth (Pramuki, 2020; Pramuki & Kusumawati, 2020; Yuliantari & Pramuki, 2021).This type of research uses primary data sourced from the answers to research instruments which are distributed in the form of a questionnaire to the research object. Then tested the validity and reliability of the research instrument and continued by testing the assumptions of multiple linear regression data analysis as a technique using SPSS version 25

## III. RESULT AND DISCUSSION

### 3.1 The Influence of the Implementation of Accounting Information Systems on the Performance of SMEs

Based on multiple linear regression analysis, the results of hypothesis testing regarding the application of accounting information systems to the performance of SMEs show a positive regression coefficient (Beta) of 0.208 which means that, if there is an additional application of accounting information systems by one unit, the performance of SMEs will also increase by 0.208 unit. Meanwhile,

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the t-test has a significant value of 0.037 0.05. So it can be concluded that the first hypothesis (H1) in this study is accepted. This shows that the application of accounting information systems has a positive and significant effect on the performance of SMEs in Denpasar City. If the implementation of accounting information systems is higher, the performance of these SMEs will also be better.

### 3.2 The Effect of Accounting Knowledge on the Performance of SMEs

Based on the results of descriptive statistical tests, it can be seen that the Accounting Knowledge variable has the smallest value of 15, the largest value of 30 and the mean value of 23.59 with a standard deviation of 4.299. In multiple linear regression analysis, the results of testing the hypothesis regarding Accounting Knowledge on the performance of SMEs show a positive regression coefficient (Beta) of 0.284 which means that, if there is an addition of Accounting Knowledge by one unit, the performance of SMEs will also increase by 0.284 units. Meanwhile, the t-test has a significant value of 0.039 0.05. So it can be concluded that the second hypothesis (H2) in this study is accepted. This shows that Accounting Knowledge has a positive and significant effect on the performance of SMEs in Denpasar City. If the SMEs have higher accounting knowledge, the performance of these SMEs will also be better.

### 3.3 The Effect of Financial Literacy on the Performance of SMEs

Based on the results of descriptive statistical tests, it can be seen that the Financial Literacy variable has the smallest value of 15, the largest value of 30 and the mean value of 23.57 with a standard deviation of 3.876. In the multiple linear regression analysis, the results of hypothesis testing regarding Financial Literacy on the performance of SMEs show the regression coefficient value (Beta) positive 0.267 which means that, if there is an increase in Financial Literacy of one unit, the performance of SMEs will also increase by 0.267 unit. Meanwhile, the t-test has a significant value of 0.049 0.05. So it can be concluded that the third hypothesis (H3) in this study is accepted. This shows that Financial Literacy has a positive and significant effect on the performance of SMEs in Denpasar City. If the Financial Literacy is higher, then the performance of these SMEs will also be better.

## IV. CONCLUSION

Through the results of the research, and the discussion, conclusions can be drawn which can be conveyed by the researcher that the application of the Accounting Information System has a positive and significant impact on the performance of Small and Medium Enterprises in Denpasar City during the covid-19 pandemic. Accounting knowledge has a positive and significant impact on the performance of Small and Medium Enterprises in Denpasar City during the COVID-19 pandemic. Financial Literacy has a positive and significant impact on the performance of Small and Medium Enterprises in Denpasar City during the COVID-19 pandemic. The existence of limitations in this study, the researchers suggest for further research in order to further develop this research by examining other factors that can affect the performance of SMEs such as access to capital.

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