

## RESEARCH PAPER

# Effect analysis of the use of accounting information, managerial performance and employee performance Towards SMEs

Elisabeth Penti Kurniawati<sup>1,\*</sup>, Akhsa Meilianantani<sup>2</sup><sup>1,2</sup> Satya Wacana Christian University, Indonesia**Keywords:**SMEs  
Accounting information  
Performance

Received: 9 April 2016

Accepted: 29 April 2016

Published: 21 June 2016

**Abstract.** SMEs (Small Medium Enterprises) have significant contribution in Indonesian economy. Therefore, it is necessary to analyze the factors that affect SMEs' performance. The purpose of this study is to analyze the impact of the use of accounting information, managerial performance, and employee performance towards SME performance. The population of this study is SMEs located in District Purworejo, Central Java, Indonesia. Using convenience sampling method, there are 141 SMEs that are determined by Slovin formula. Multiple regression technique is used as an analysis technique. The study shows that the use of accounting information and employee performance has positive significant effect on the performance of SMEs, whereas managerial performance has no significant effect on the performance of SMEs. Based on the research, the role of operational employees is greater than the manager. Their skills to process the raw materials and to serve customers are very important in SME. The result can be used for SME's managers to increase the use of accounting information as a basis to take enhanced business decisions, and to improve their employees' performance by training and setting the reward system to get better productivity. By doing these, the performance of SMEs will be increased.

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**INTRODUCTION**

Small Medium Enterprises (SMEs) sector contributes a lot for economy, also during the economic crisis. It gives significant contribution to Indonesian economics; 57.12% to Gross Domestic Product (GDP) in 2013. In Indonesia, the number of SMEs up till June 2013 was 55.2 million unit or 99.98% out of Indonesia's total enterprise units. Moreover, this sector has absorbed 101.72 million manpower or 97.3% out of Indonesia's manpower. SME in district Purworejo, Central Java, is able to absorb

approximately 48,238 people. SME's targets in 2015 are improving SME's productivity and competitiveness, upgrading SME's export up to 20% and creating innovative entrepreneurs (KRjogja.com, 27 July 2014). To develop SME's potentials, this study will investigate factors that affect SME's performance. Previous study Ediraras (2010) states that accounting information has positive effect on SME's performance. It is stated that accounting is the performance indicator in every enterprise because of the information provided by the records is helpful in decision making. Hutagaol (2012) says that accounting is the key indicator in enterprise performance. The records are important information that can be helpful in the decision making, hence it can improve the enterprise's

\*Corresponding author: Elisabeth Penti Kurniawati  
E-mail: [bet@staff.uksw.edu](mailto:bet@staff.uksw.edu)

management. The information will enable SME to identify and predict the upcoming problems and then take timely action. Based on those studies, it can be concluded that the using of accounting information is significant to improve enterprise's performance. Martha Hendrati & Muchson (2012) say that internal factor that influences SME's performance is Human Resources (HR). It includes SME's managers and workers. Qualified HR is expected to improve SME's performance, both finance and non-finance. Based on that study, besides accounting information, managers and workers' performance has significant influence on SME's performance. Tin & Hidayat (2013) state that to get a maximum profit, which is the goal of the enterprise, is to continually develop employee's performance, particularly of managers. Hartini (2012) shows that management performance affects innovation as it are determined by the managers. The innovation does not affect the enterprise's performance directly but significantly affects the quality of product. Furthermore, product quality has significant influence towards enterprise performance. Previous study has not investigated the influence of management performance towards SME performance directly hence this study is going to investigate the influence of management performance towards SME performance directly.

Cut, Muhammad & Yahya (2012) state that SME owner needs to employ workers who already have adequate working experience. They show their high-quality performance hence the business operations could be improved. When the business operations are improved, it brings positive effect to the business profit, in which it reflects the real performance of the business operations. Their study concludes that employees' professionalism has significant effect towards SME's profit in Banda Aceh. Previous study has not investigated the influence of employees' performance towards the enterprise performance directly hence this study is going to investigate the influence of employees' performance towards the enterprise performance directly. Considering the significant role of SME in Indonesian economy, this study will investigate factors that influence the SME performance in order to develop SME's potential. Based on previous study, the question of this study is "Is there any influence on using the accounting information, management performance and employee performance towards the SME performance in sub-district Purworejo, district Purworejo, Central Java?" Object of the study is SMEs in sub-district Purworejo, district Purworejo, Central Java. This location is chosen due to the number of SMEs

that is improving and has big potentials to be developed. Benefit of this study is committed to (1) SME practitioners, so that they could recognize the factors that influence the SME's performance; (2) Indonesian government, as their reference in designing the SMEs development planning in order to improve economy of Indonesia.

## LITERATURE REVIEW

### Small Medium Enterprises (SMEs)

Based on the net assets and annual sale income, definition of SMEs in accordance with SMEs Government Regulation no.20 of 2008 is: The small enterprise is an independent productive economic enterprise, which is run by individuals or company which is not a branch companies owned, run, or becomes both, directly or indirectly, the part of the medium or big enterprises which have net asset more than IDR 50.000.000 (fifty millions rupiah) up to IDR 500.000.000 (five hundred millions rupiah), excluding the sites and buildings of the enterprise or have annual sales income more than IDR 300.000.000 (three hundred millions rupiah) up to IDR 2.500.000.000 (two billions five hundred millions rupiah).

The medium enterprise is an independent productive economic enterprise, which runs by individuals or companies which are not a branch of companies owned, run, or becomes both, directly or indirectly, the part of the small or big enterprises which have net asset more than IDR 500.000.000 (five hundred millions rupiah) up to IDR 10.000.000.000 (ten billions rupiah), excluding the sites ad buildings of the enterprise, or have annual sales income more than IDR 2.500.000.000 (two billions five hundred millions rupiah) up to IDR 50.000.000.000 (fifty billions rupiah). Meanwhile based on the number of the workers, Central Bureau of Statistics in District Purworejo in 2012 defines SME as follow:

a. The small enterprise is an independent productive economic enterprise, which runs by individuals or companies which are not a branch of companies owned, run, or becomes both, directly or indirectly, the part of the medium or big enterprises which have 5 (five) up to 19 (nineteen) workers.

b. The medium enterprise is an independent productive economic enterprise, which runs by individuals or companies which are not a branch of companies owned, run, or becomes both, directly or indirectly, the part of the big enterprises which have 20 (twenty) up to 99 (ninety nine) workers. There are three types of SMEs based on Central Bureau of Statistics in District Purworejo:

1. Manufacturing Business is any business that uses components, parts or raw materials to make a finished good that can be sold to consumers.
2. Merchandising Business is any business that purchases finished products and resells them to consumers.
3. Service Business is any business that provides services, not products or goods for consumers.

### **The Use of Accounting Information**

Accounting information has a significant role in an enterprise to support its planning, monitoring and decision making in both strategic and operational decision. Mulyadi (1993) defines information as a fact, data, examination, perception or others which add to knowledge. People need information to reduce past, current and future uncertainty. Based on that definition, the using of accounting information can be defined as using fact, data, examination, perception or others related to accountancy which adds to knowledge of an organization. A manager uses accounting information to reduce uncertainty in choosing any business alternative procedures. According to Suryani (2013), good accounting information will help the boards to make an effective decision. It shows when a manager uses accounting information as data in every decision making then it will reduce the uncertainty hence it will make better decision quality.

This surely brings positive impact to the SME performance. To be able to measure the use of accounting information, this study is using Holmes & Nicholls (1988) classification which classifies the information in three types according to the users' benefits: (1) Statutory accounting information, accounting information according to the rules applied; (2) Budgetary information, accounting information provided in budget planning to support internal boards in making planning, assessment and decision making; (3) Additional accounting information, other accounting information that is prepared to increase the effectiveness of manager's decision making.

### **Managerial Performance**

Performance is a competence that is required for any position such as knowledge, skills, behavior and attitude (Lestari & Maliki, 2003). Managerial performance is how far a manager carries out the management functions including planning, investigation, coordination, evaluation, monitoring, staff selection, negotiation and delegation (Mahoney, Jerdee & Karrol, 1963). These functions are tools to achieve company's goals. Therefore, when these functions run effectively it is expected that the goals of the

company are achieved, which means the enterprise's performance is good. When these functions are applied in SME, it will also affect its performance.

Indicator is needed in order to assess a manager's performance. According to Heneman (1974) there are eight indicators to assess managerial performance: (1) Planning is a process of setting goal, target, policy and series of upcoming programs that consider current and future conditions; (2) Investigation is done through collecting information as a means of recording and reporting in order to measure and analyze result of a program; (3) Coordination is an information exchange between people in the organization in order to coordinate and reconcile upcoming programs; (4) Evaluation is assessment which is done by a leader for assessing the workers' performance and working report then a decision can be drawn from the assessment; (5) Supervision is assessment of working plan or inputs which is observed and reported in order to direct, lead and develop the subordinate; (6) Staffing is keeping the subordinate in a working unit, selecting new tasks, putting and promoting the task in the units or other working unit; (7) Negotiation is an effort to get agreement in buying, selling or contract for procurement; (8) Representatives are those who deliver information on vision and mission and programs of the organization by attending business meeting.

### **Employee Performance**

Mangkunegara (2006) defines performance (working achievement) as working result both in quality and quantity achieved by a worker in performing his/her duties in accordance with the responsibilities given. In an SME, employee is directly related with the business activities and doing most of the work from the activities hence when they perform well, it will bring positive impact to SME performance. This study is using Janssen's (2001) indicators to measure employees' performance, there are (1) Working Quantity which is load of work based on the allocated time. What matters is how the employee finishes the task in time, not on the routine task itself. An employee who shows good performance, his/her working quantity is usually above average than other employees; (2) Working Quality which is quality of working result based on the standard procedures. Usually it is measured by accuracy, details, skills and orderliness. An employee who shows good performance, his/her working quality is usually above average than other employees; (3) Efficiency which is the best comparison between a task and result according to the targets both in quality and quantity including time usage and quality of the working procedures; (4) Quality

Standard, a good quality standard means quality standard which is set above the official standard of the company; (5) Effort, an employee who shows good performance is who makes an effort harder than any other employee in the same department; (6) Professional Standard, an employee who shows good performance holds high professional standard; (7) Ability to carry out his/her main task, an employee with good performance can be seen from his/her ability to carry out his/her main tasks in line with his/her position in the company; (8) The ability to use logic in carrying out the task; (9) Accuracy in performing the task, a good employee will do the order from his/her leader accurately; (10) General knowledge related to the main task; (11) Creativity in performing the main task.

### **Company Performance**

According to Srimindarti (2004) company performance is a display of whole situation of a company for certain period of time, as a result or achievement that is influenced by activities of a company's operation in employing its resources. Simanjuntak (2005) suggests a performance as the level of result achievement from performing certain tasks. Thus, it can be said that the enterprise is the level of result achievement in the framework gaining purposes of the company. This research uses measurement indicators of company performance using method of balanced scorecard that consists of financial perspective, customer perspective, internal business process perspective, and learning and growth perspective (Kaplan & Norton, 1996):

#### **a. Financial Perspective**

Financial perspective is oriented on maximizing profits that in turn affects the satisfaction of the owner of a company. Kaplan & Norton (1996) state that "for each of the three strategies of growth, sustain, and harvest, there are three financial themes that drive the business strategy: revenue growth and mix, cost reduction/productivity improvement, and asset utilization/investment strategy". In this research, the measurement of financial perspective in SMEs is simplified by Prijambodo (2011) by measuring profits and sales increases.

#### **b. Customer Perspective**

Customer perspective is the fulfillment of customer satisfaction so that customer loyalty is

maintained. Kaplan & Norton (1996) state that "The core measurement group of customer outcomes is generic across all kinds of organizations. The core measurement group includes measures of: market share, customer retention, customer acquisition, customer satisfaction, and customer profitability". In this research, the measurement of customer perspective in SMEs is simplified by Prijambodo (2011) by measuring the increases of number of customers, complaints of customers, and grants of rewards/gifts to old customers.

#### **c. Internal Business Process Perspective**

The changing dynamics of needs, demands, and tastes of customers have demanded a company to fulfill the needs to obtain goods or services in developed amount and quality (Prijambodo, 2011). Kaplan & Norton (1996) state that, "Each business has a unique set of processes for creating value for customers and producing financial results. We have found, however, that a generic value-chain model provides a template that companies can customize in preparing their internal-business-process perspective. This model encompasses three principal business processes: innovation, operations and post-sale service". In this research, the measurement of internal business process perspective in SMEs is simplified by Prijambodo (2011) by measuring innovation in business, time priority as well as service quality and post-sale process such as giving of warranty.

#### **d. Learning and Growth Perspective**

Learning and growth perspective has a scope of the competence improvement of human resources. Kaplan & Norton (1996) state that, "Our experience in building Balanced Scorecards across a wide variety of service and manufacturing organizations has revealed three principal categories for the learning and growth perspective: employee capabilities, information system capabilities, and motivation, empowerment and alignment". In this research, the measurement of learning and growth perspective in SMEs is simplified according to Prijambodo (2011) by measuring bonuses

obtained by employees as compensation for their good performance, the involvement of employees in decision making and the frequency of employee turnover.

### **The Impact of the Use of Accounting Information towards SMEs Performance**

Accounting information can help a company in business-related decision making. According to Kurniawati, Kurniawan & Kristiani (2013) SMEs using different accounting information depend on their business characteristics. SMEs require documents and records to provide the accounting information that can be used in business decision making and performance assessment. The use of accounting information can be used to control the performance of the company. It means that there will be different performances between SMEs that use accounting information and SMEs that do not use accounting information. If a company uses accounting information, its quality of planning, supervision and strategic and operational decision making will be better, therefore it will help increasing of its business performance. It is supported by the results of research done by Ediraras (2010) stating that accounting information has a positive effect on SMEs performance.

### **The Impact of Managerial Performance towards SMEs Performance**

A manager in a company has a pivotal role in managing the company to achieve its objectives. Thus it can be said that the performance of a manager influences the success in achieving purposes of a company. The achievement of purposes of a company are measured by the performance of the company. Hartini (2012) states that innovation of a company does not influence the performance of the company directly but does influence significantly its product quality. Meanwhile, product quality influences significantly the performance of a company. Control of innovation is in the hands of a manager, thus the performance of a manager influences innovation of a company. The product quality is also determined by the performance of manager.

### **The Impact of Employee Performance towards SMEs Performance**

Employees in a company have duties and responsibilities to perform what has been commanded by a manager or supervisor in the framework achieving the purposes of a company. Thus, roles of employees are very important for the success of a company. Research of Cut et al. (2012)

shows that professionalism of employee influences significantly the profit of SMEs. Their research shows that the professionalism of employees really determines the performance of SMEs. Employees with long work experiences will be able to show a high performance, thus the business operation will be better. Operation of production that is conducted smoothly and finished in short time will be able to increase sales. The increase of sales will result in higher profits. Profit is one of indicators of enterprise performance according to Prijambodo (2011).

### **Thinking Framework**

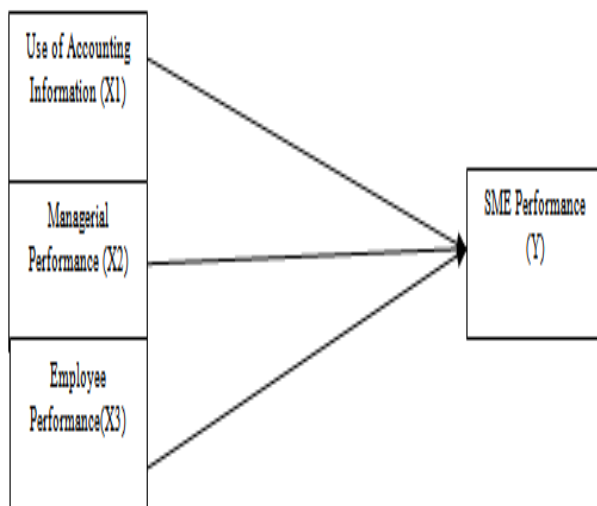
The reasoning framework of this research will be built with a basis that if SMEs use accounting information, SMEs will be able to use the information to evaluate the weakness of a company so that the company can do repairs to improve its business performance. It is in line with the research by Ediraras (2010) stating that accounting information has a positive effect on SMEs performance. When the performance of SMEs is good, it can help SMEs in achieving their purposes. The extent of SMEs achieving their purposes can be measured by the performance of SMEs. It is in line with the research by Hartini (2012) stating that the performance of manager determines innovation influencing the product quality of which in turn influences performance of a company. If the performance of a manager is good but the employees cannot perform their tasks properly, the company will not be able to achieve its purposes. For that reason, if the performance of employees is good in performing tasks given by a manager, the performance of SME will also be better. It is in line with the research by Cut et al. (2012) stating that the professionalism of employees has a significant effect on SMEs' profits. Their researches explain that the professionalism of employees extremely determines the performance of SMEs. Based on that logical concept, the thinking framework of this research can be defined as follows: The above thinking framework shows that the use of accounting information, managerial performance and employee performance influences the performance of SMEs simultaneously or partially.

### **Research Hypotheses**

Based on the above, hypotheses of this research are:

- H0:** The use of accounting information does not influence the performance of SMEs.
- H1:** The use of accounting information influences the performance of SMEs.

- H0:** Managerial performance does not influence the performance of SMEs.
- H2:** Managerial performance influences the performance of SMEs.
- H0:** Employee performance does not influence the performance of SMEs.
- H3:** Employee performance influences the performance of SMEs.
- H0:** The use of accounting information, managerial performance and employee performance do not influence the performance of SMEs.
- H4:** The use of accounting information, managerial performance and employee performance influence the performance of SMEs.



**FIGURE 1.** Thinking framework

## METHODOLOGY

### Population

Populations of this research are SMEs at Purworejo sub-district of Purworejo regency-Central Java consisting of 218 units (Katalog BPS, 2012). This research only takes object of small enterprise and middle enterprise without taking micro enterprise with a consideration that micro enterprises in general have not had accounting report and have not had employees, therefore, it cannot be used for identifying their managerial performance and employee performance.

### Sample

Method of sample taking in this research is convenience sampling, i.e. method by which members of a population are met by researchers and are willing to be respondents of sample (Sekaran, 2003). This research uses 5% error level with 95% confidence level. Number of samples of this research is determined, based on the formula of Slovin (Sevilla, Ochave, Punsalan, Regala & Uriarte, 1993), namely:  $n = N / (1 + N[(e)]^2)$  Explanation:

$n$  = number of sample

$N$  = number of population

$e$  = desired limit of accuracy or tolerated limit

Based on the above formula, the calculation of number of samples is as follows (using  $e = 5\%$ ):  $n = 218 / (1 + 218[(0,05)]^2) = 141,10$  rounded into 141

### Data Collection Techniques

Primary data were collected through direct visits to the object of study in order to obtain the necessary data by distributing questionnaires to managers of SMEs.

### Variable and Indicator

The dependent variable in this study is the performance of SMEs (Y), while 3 (three) independent variables are the use of accounting information (X1), managerial performance (X2), employee performance (X3). Variables of the performance of SME was measured using a five-point scale (Strongly disagree = 1 to Strongly agree = 5), variable of the use of accounting information was measured using a five-point scale (never = 1 to Always = 5), the managerial performance was measured using a scale of seven points (Low = 1 to High = 7), the employee performance was measured using a seven-point scale (Strongly disagree = 1 to Strongly agree = 7). Explanation about variables and each of their indicators is presented in table 1 below.

### Data Analysis Techniques

Data are analyzed descriptively and quantitatively. Data that have been collected is processed using SPSS application. The data must first be tested using the classical assumption test, which consists of normality test, autocorrelation, multi co linearity test, and heteroscedasticity test. Next, hypothesis test is done using multiple regression test (F and t test) with 95% confidence level.

**TABLE 1:** Table of variables dan indicators

<b>Variable</b>	<b>Operational Definition</b>	<b>Indicator</b>
The Use of Accounting Information (X1)	<p>The use of accounting information is the use of facts, data, observations, as well as a perception or the others concerning financial condition of a company that adds knowledge (Mulyadi, 1993).</p> <p>According to Holmes and Nicholls (1988) there are three (3) types of accounting information according to the benefits for the users, namely:</p> <ol style="list-style-type: none"> <li>1. Statutory accounting information</li> <li>2. The budgetary information</li> <li>3. Additional accounting information</li> </ol>	<ol style="list-style-type: none"> <li>1. Using statutory information in decision making, namely:               <ol style="list-style-type: none"> <li>a. Balance sheet</li> <li>b. Report of profit and loss</li> <li>c. Report of changes in equities</li> <li>d. Report of cash flow</li> <li>e. Others</li> </ol> </li> <li>2. Using budgetary information for planning, namely:               <ol style="list-style-type: none"> <li>a. Cash flow budget</li> <li>b. Sales budget</li> <li>c. Production budget</li> <li>d. Operating cost budget</li> <li>e. Others</li> </ol> </li> <li>3. Using additional information for decision making, namely:               <ol style="list-style-type: none"> <li>a. Report of inventory</li> <li>b. Report of employee salary</li> <li>c. Report of the number of production</li> <li>d. Report of production cost</li> <li>e. Others</li> </ol> </li> </ol>
Managerial Performance (X2)	<p>Managerial performance is the extent of a manager to perform management functions such as planning, investigation, coordination, evaluation, supervision, staffing, negotiation, and representation. (Mahoney <i>et al.</i>, 1963).</p> <p>According to Mahoney <i>et al.</i> (1963) there are 8 managerial performance measurement indicators, namely:</p> <ol style="list-style-type: none"> <li>1. Planning</li> <li>2. Investigation</li> <li>3. Coordination</li> <li>4. Evaluation</li> <li>5. Supervision</li> <li>6. Staffing</li> <li>7. Negotiation</li> <li>8. Representation</li> </ol>	<ol style="list-style-type: none"> <li>1. Determine objectives, targets, policies, and actions.</li> <li>2. Collect and prepare information (used in examination to assess results of work), usually in form of reports, notes and accounts.</li> <li>3. Exchange information with people in the organization not only with employees, but also with other parties to adjust programs.</li> <li>4. Evaluate and assess proposal (work plan), report and performance.</li> <li>5. Direct, lead and develop employees in their unit or multiple units.</li> <li>6. Maintain and sustain employees in their unit or multiple units.</li> <li>7. Purchase, sale, contract for goods and services (efforts to get an agreement on the issue of purchasing, sale and contract).</li> <li>8. Convey information about vision, mission and activities of organization through speeches (introducing the organization at an event or meeting), consulting and other means to parties outside of the organization.</li> </ol>
Employee Performance (X3)	<p>Employee performance is results of work both in quality and quantity that are achieved by an employee by performing his/her tasks according to responsibility entrusted to him/her (Mangkunegara, 2006).</p> <p>According to Janssen (2001),</p>	<ol style="list-style-type: none"> <li>1. Quantity of employee performance exceeds the average of other employees.</li> <li>2. Quality of employee performance is much better than other employees.</li> <li>3. Employee efficiency exceeds the average of other employees.</li> <li>4. Employee quality standard exceeds the existing official standards (standard in the company)</li> <li>5. Employees try harder than the required</li> </ol>

	<p>employee performance is observed from</p> <ol style="list-style-type: none"> <li>1. Work quantity</li> <li>2. Work quality</li> <li>3. Efficiency</li> <li>4. Quality standard</li> <li>5. Effort</li> <li>6. Professional standard</li> <li>7. Ability to carry out the core job</li> <li>8. Ability in using common sense in performing job</li> <li>9. Accuracy in carrying out work</li> <li>10. Knowledge related to the main job</li> <li>11. Creativity in carrying out the main job</li> </ol>	<p>standard.</p> <ol style="list-style-type: none"> <li>6. Employees hold a high professional standard.</li> <li>7. The ability of employees in carrying out a main job excellently.</li> <li>8. The ability of employees in using common sense in carrying out an excellent job.</li> <li>9. The accuracy of employees in performing job excellently.</li> <li>10. The knowledge of employees related to the main job is good.</li> <li>11. Creativity of employees in carrying out main job is good.</li> </ol>
SME performance (Y)	<p>The performance of enterprise is a display state as a whole over certain period of time, as a result or achievement that is affected by the operation of the enterprise in using their resources (Helfert (in Srimindarti, 2004)).</p> <p>According to Kaplan &amp; Norton (1996) who introduced the Balanced Scorecard performance measurement method, the management should look at the organization from four perspectives, then build the system, collect data and analyze by relating it to each perspective with every aspect, namely:</p> <ol style="list-style-type: none"> <li>1. Financial perspective</li> <li>2. Customer perspective</li> <li>3. Perspective of Internal Business Process</li> <li>4. Learning and Growth Perspective</li> </ol>	<ol style="list-style-type: none"> <li>1. Financial perspective: <ol style="list-style-type: none"> <li>a. There is always an increase of profit every year.</li> <li>b. There is always an increase of sales every year.</li> </ol> </li> <li>2. Customer perspective: <ol style="list-style-type: none"> <li>a. There are always additional employees every year.</li> <li>b. There is never any serious complaint from customers.</li> <li>c. Discounts or gifts always given to old customers.</li> </ol> </li> <li>3. Perspective of internal business process: <ol style="list-style-type: none"> <li>a. Always innovate on business.</li> <li>b. Always prioritize time and quality of service.</li> <li>c. Always provide after-sales service such as warranty.</li> </ol> </li> <li>4. Perspective of learning and growth: <ol style="list-style-type: none"> <li>a. Always give bonuses or rewards to employees performing well.</li> <li>b. Always involve employees in decision making.</li> <li>c. Employee turnover occurs rarely.</li> </ol> </li> </ol>

## RESULTS AND DISCUSSION

Object of research of this study is 141 units of SMEs, of which 68.09% is engaged in trading, the remaining engaged in the service sector (19.86%) and manufacturing (12.06%), see the table 2 below:

From demographic data of respondents (table 3) noted that 72.34% are male, 40.43% aged 46-55 years old, and 72.34% graduated from Senior High School.



**TABLE 2.** Business type of SMEs

No.	Business Type	Number	Percentage
1.	Service	28	19.86%
2.	Trade	96	68.09%
3.	Manufacture	17	12.06%
	Total	141	100.00%

**TABLE 3.** Respondent's demography

Gender	Number	Percentage	Age (year)	Number	Percentage	Education	Percentage	
Male	102	72.34%	<17	0	0.00%	<JHS	0	0.00%
Female	39	27.66%	17-25	11	7.80%	JHS	6	4.26%
			26-35	13	9.22%	SHS	102	72.34%
			36-45	29	20.57%	Diploma	0	0.00%
			46-55	57	40.43%	Under Gra	33	23.40%
			>55	31	21.99%	Graduate	0	0.00%
Total	141	100.00%		141	100.00%		141	100.00%

JHS = Junior High School, SHS = Senior High School. Most SMEs are managed by managers (94.33%), not by owners of SMEs (see Table 4). Most SMEs have employees who range between 1-4 men, (30.50%), 5-19 men (48.23%), and 20-99 men (15.60%). Based on table 5, if SMEs are

grouped by business assets, it consists of microenterprises (29.08%), small businesses (60.99%), and medium enterprises (9.93%). Meanwhile, based on the number of turnover, it consists of microenterprises (19.86%), small businesses (57.45%), and medium enterprises (22.69%).

**TABLE 4.** Business managers and number of employees of SMEs

Business	Number	Percentage	Number of Employees	Number	Percentage
Manager			0	8	5.67%
Manager	133	94.33%	1-4	43	30.50%
Owner	8	5.67%	5-19	68	48.23%
			20-99	22	15.60%
Total	141	100.00%		141	100.00%

**TABLE 5.** Grouping of SMEs based on assets and turnover

No.	Criteria (based on Law no. 20 of 2008)	Number	Percentage
1.	Asset:		
	Micro Business: ≤ Rp 50.000.000	41	29.08%
	Small Business: >Rp 50.000.000 to Rp 500.000.000	86	60.99%
	Medium Business: >Rp 500.000.000 to Rp 10.000.000.000	14	9.93%
		141	100%
2.	Turnover:		
	Micro Business: ≤ Rp 300.000.000	28	19.86%
	Small Business: >Rp 300.000.000 to Rp 2.500.000.000	81	57.45%
	Medium Business >Rp 2.500.000.000 to Rp 50.000.000.000	32	22.69%
		141	100%

### Descriptive Statistics

Descriptive statistics for each variable indicate that the average score of the use of accounting information is 28.33, which means the level of use of accounting

information on the object of research is low; the average score of managerial performance is 29.47, which means the level of managerial performance on the object of research is moderate; The average score of the employee

performance is 46.59, which means the level of employee performance on the object of research is moderate; the average score on SME performance is 37.15 which means

that the level of performance of SMEs in the research object is moderate (see table 6).

**TABLE 6.** Descriptive statistics of research variables

Variable	N	Range of Score	Minimum	Maximum	Mean	Std. Deviation	Category
Use of Accounting Information	141	15-75	15.00	63.00	28.33	10.03	Low
Managerial Performance	141	8-56	8.00	51.00	29.47	10.27	Moderate
Employee Performance	141	11-77	22.00	67.00	46.59	10.61	Moderate
SME performance	141	11-55	19.00	49.00	37.15	6.36	
Valid N (listwise)	141						

### Classical Assumption Test

The test results of normality with the Kolmogorov-Smirnov test (KS) indicate that significant value of KS 0.955 is greater than the significance level 0.05, then it can be concluded that the data are distributed normally.

Autocorrelation test results show that the value of Durbin Watson (DW) is 1.762. For N = 141 and the number of independent variables or k = 3 obtained the value of dL = 1.681 and dU = 1.761, therefore 4-dL = 2.319 and 4-dU = 2.239. Because the value of DW located between dU and 4-dU, it can be concluded that there is no autocorrelation in research data. Multi collinearity test results show that the value of tolerance for each variable is more than 0.1, that is respectively 0.871; 0.867; 0.949. The value of VIF for each variable is less than 10, i.e. respectively 1.148; 1.153;

1.054. From these results it can be concluded that there is no multi collinearity on research data. The heteroscedasticity test results show that the value of Sig. for each variable is 0.107; 0.889; 0.285, all those values greater than  $\alpha = 0.05$ . While the t-count value for each variable is -1.624; -0.140; 1.074, all grades are smaller than t-table 1.97718. From these results it can be concluded that there is no heteroscedasticity on research data.

### Hypothesis Testing Results Using Multiple Regression

The results of hypothesis testing using multiple regression and the F test and t test can be observed in the following table:

**TABLE 7.** Results of multiple regression model testing

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	21.274	2.449		8.686	.000
	Use of Accounting Information	.116	.051	.183	2.290	.024
	Managerial Performance	.085	.049	.137	1.710	.090
	Employee Performance	.217	.046	.362	4.734	.000

Dependent Variable: SME Performance, Adj. R Square = 0,226, F-test = 14,591, Sig. = 0,000

In determination of coefficient test results, it is obtained adjusted R-square of 0.226, which means that 22.60% the

performance of SMEs is affected by the use of accounting information, managerial performance and employee

performance. While the remaining 78.40% influenced by other variables.

#### a. Simultaneous Test (F Test)

Based on F test results (see tabel 7), that is testing the effect of all independent variables on the dependent variable simultaneously, obtained the value of Sig. = 0.000 of which value is less than  $\alpha = 0.05$ . Thus,  $[H4]_0$  is rejected, so it can be concluded that there is the influence of the use of accounting information, managerial performance and employee performance on the performance of SMEs which is significant.

#### b. Partial Test (t Test)

Based on t test results (see table 7), it is known that the variable of the use of accounting information has a value

Sig. = 0.024, which means it is smaller value than  $\alpha = 0.05$ . Thus  $[H1]_0$  is rejected, so it can be concluded that the use of accounting information influences the performance of SMEs significantly. Meanwhile, the variable of managerial performance has a value of Sig. = 0.090 which means it is a greater value than  $\alpha = 0.05$ . Thus is  $[H2]_0$  is accepted, so it can be concluded managerial performance has no significant effect on the performance of SMEs. The variable of employee performance has a value of Sig. = 0.000 which means a smaller value from  $\alpha = 0.05$ . Thus  $[H3]_0$  is rejected, so it can be concluded that the influence of employee performance on the performance of SMEs is significant. Summary of t test results for each independent variable can be seen in the following table:

**TABLE 8.**  $\alpha$ -based test results

Value of $\alpha$	Independent Variable		
	Use of Accounting Information (0,024)	Managerial Performance (0,090)	Employee Performance (0,000)
5 %	Influence (+)	No Influence	Influence (+)

#### The Use of Accounting Information and Performance of SMEs

The use of accounting information variable is measured by the use of accounting information by SMEs, including the use of statutory information, budget information and the additional information that are used for planning and decision making. Based on *t* test results, the use of accounting information has influence on the performance of SMEs, Thus the results of this study support the research of Ediraras (2010) which states that the accounting information has positive influence on the performance of SMEs. This study therefore proves the proposition that if SMEs use accounting information in their business, the performance of SMEs will increase because the use of accounting information can support planning and decision-making business.

#### Managerial Performance and Performance of SMEs

Managerial performance variable is measured by the ability of managers to manage their business. Based on *t* test results showing that the managerial performance has no significant effect on the performance of SMEs, The results of this study do not support research of Hartini (2012) which states that the performance of managerial innovations significantly affects the quality of products that in turn has a significant effect or influence on the performance of the enterprises. Thus, this research cannot

prove that if the SMEs managerial performance is good then the performance of SMEs will increase because the performance of SMEs can also be influenced by other factors, especially the performance of operational employees that are more directly involved in day-to-day business activities.

#### Employee Performance and Performance of SMEs

Employee performances are measured by the ability of employees in their work and carry out a task given by a manager. Based on *t* test results showing that the performance of the employees has a significant effect on the performance of SMEs, the results of this study support the research by Cut et al. (2012) which states that the professionalism of the employees has a significant effect on profit. Profit is one of indicators of business performance measurement according to Prijambodo (2011) thus this study proves that the good performance of employees can improve the performance of SMEs, because employees are directly involved with operational activities of SMEs.

#### CONCLUSION

Based on the analysis of data it can be concluded that 1) the use of accounting information has a positive influence significantly on the performance of SMEs, therefore, if the level of use of accounting information is higher, the

performance of SMEs will be better; 2) managerial performance does not significantly affect the performance of SMEs, it means that if the performance of SMEs manager improves, it does not necessarily increase the performance of SMEs; 3) employee performance has a positive influence significantly on the performance of SMEs, therefore, if employee performance improves, the performance of SMEs will increase as well.

#### APPLIED IMPLICATIONS

This research can be taken into consideration for managers of SMEs to (1) increase the use of accounting information as a basis for making business decisions, so that decisions taken are the ones with higher quality so that it can give contribution towards the improvement of the performance of SMEs; (2) improve the performance of employees through training or giving of bonus/reward because with the increased performance of employees, it is expected that the performance of SMEs will also increase. The results of this study indicate that managerial performance has no influence on the performance of SMEs. Observations of this study show that in the core activities of SMEs, the role of operational employees is greater than

the role of the manager. Skills in processing raw materials and customer services are the core activities in SMEs. The performance of employees plays more important role because more employees are directly involved in core activities in SMEs.

#### LIMITATIONS AND FUTURE RESEARCH

Limitations of this study are the subjectivity of respondents in filling the questionnaires. Besides, some respondents did not have any employees so that an assessment of managerial performance and the performance of employees cannot be separated. The coefficients of determination in this research is still low, i.e. at 22.60%, which means there are many other variables besides accounting information, managerial performance and employee performance that affect the performance of SMEs. Based on these limitations, recommendations for future research are: completing the questionnaire method by an in-depth interviews method to reduce the subjectivity of the respondents as well as adding other variables that can affect the performance of SMEs like accounting records, accounting knowledge, and so on.

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— This article does not have any appendix. —