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THE INFLUENCE OF BUSINESS DURATION, EDUCATION LEVEL, AND BUSINESS TURNOVER ON FINANCIAL RECORDKEEPING

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ABSTRACT
This study examines the influence of business duration, education level, and business turnover on financial recordkeeping practices among micro enterprises in Waru District, Sidoarjo. The research was motivated by the low adoption of standardized financial reporting among micro-entrepreneurs, where most businesses still rely on simple and irregular bookkeeping. Using a quantitative approach, data were collected from 84 micro-enterprise owners registered with a valid Business Identification Number (NIB). The analysis was conducted using SEM-PLS to evaluate the relationship between the independent variables and financial recordkeeping. The findings reveal that education level and business turnover have a positive and significant effect on financial recordkeeping, indicating that higher educational attainment and greater turnover encourage micro-entrepreneurs to adopt more structured bookkeeping practices. In contrast, business duration does not significantly affect financial recordkeeping, suggesting that longer operational experience alone does not enhance financial administration capabilities. The model demonstrates weak-to-moderate predictive power, with an R^2 value of 0.295. These results highlight the importance of improving entrepreneurs' financial literacy and encouraging greater use of accounting practices to strengthen micro-enterprise financial management. The study provides insights for policymakers and stakeholders to design targeted interventions that support the development of standardized bookkeeping among micro enterprises.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in driving economic activity and supporting national economic growth. In 2023, MSMEs accounted for 99 percent of all business units in Indonesia, absorbed 97 percent of the total workforce, and contributed 60.4 percent of national investment. These figures demonstrate Indonesia's strong potential to develop a resilient people-based economic structure. Among the overall MSME population, micro enterprises constitute 99.63 percent, or 63,955,369 business units, indicating their strategic

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importance in national economic development. However, the contribution of micro enterprises to the Gross Domestic Product (GDP) remains suboptimal (Ministry of Cooperatives and SMEs, 2024).

The growth and competitiveness of MSMEs are often hindered by various internal and external factors. Internal factors include business capital, financial management and reporting, managerial capabilities, human resources quality, entrepreneurial attitudes and mentality, experience, skills, innovation, and creativity. External constraints include market competition, marketing challenges, regulatory barriers, government policies, infrastructure limitations, and restricted access to resources (Yuningsih et al., 2022). Among these factors, financial management is one of the most common issues faced by MSMEs. Proper financial management is crucial for evaluating business performance, making strategic decisions, and accessing financial support or credit.

Despite the importance of standardized accounting practices, many MSME owners still lack understanding and application of proper financial recordkeeping and financial statement preparation. A significant number of businesses combine personal and business finances, record only basic cash inflows and outflows, maintain irregular bookkeeping practices, and fail to prepare financial statements that meet accounting standards. As a result, essential financial information—including profit or loss—cannot be determined accurately, and access to funding becomes more difficult. Furthermore, many MSMEs lack the human resources and competencies needed to produce quality financial statements. Approximately 70–80 percent of MSMEs do not maintain regular financial records and have not prepared financial reports in accordance with SAK EMKM (Ministry of Cooperatives and SMEs, 2024).

Financial recordkeeping has been found to significantly influence MSME performance. Systematic bookkeeping, proper document archiving, and accurate financial reporting provide clear and detailed information, which helps businesses prepare reliable financial statements, plan effectively, and improve performance (Dewi et al., 2022). Previous studies consistently highlight that many MSME owners do not perform accounting practices according to standards, and financial reports produced are generally simple and not in compliance with SAK EMKM. Limited understanding, inadequate human resources, and a lack of awareness regarding the importance of structured financial reporting contribute to this issue. Financial reports are often prepared only when required for loan applications (Andarsari & Dura, 2018). Syamsul (2022) similarly found that most micro enterprises do not maintain financial records, whereas small and medium enterprises record financial transactions more consistently, although still in a relatively basic form.

Several factors have been identified as influencing the implementation and quality of MSME financial reporting, including education level, business duration, business scale, accounting knowledge, business turnover, educational background, participation in financial reporting training, perceptions, and use of accounting information and technology. However, findings across studies remain inconsistent—particularly regarding education level, business duration, and business turnover—likely due to differences in research locations, subjects, methodologies, financial reporting stages analyzed, and other contextual variables.

Considering these gaps, this study aims to examine the extent to which financial reporting stages—specifically financial recordkeeping as part of the accounting cycle—are implemented by MSME owners, viewed from the influence of business duration, education level, and business turnover. These variables are essential, as education relates to knowledge and decision-making capacity, business duration reflects experience and skills, and turnover represents business performance and scale.

Waru District was selected as the research location because it borders Sidoarjo and East Surabaya and has a large concentration of micro enterprises with diverse business types, varying business durations, educational backgrounds, and turnover levels. As of October 2024, 490 micro enterprises in the district had obtained a Business Identification Number (NIB) and were officially registered as supervised MSMEs across 17 villages.

Preliminary observations revealed that micro-enterprise owners in Waru District have varied educational backgrounds, ranging from high school graduates to diploma and bachelor's degree holders. Most have operated their businesses for 3 to more than 10 years. However, only 19.3 percent consistently conducted financial recordkeeping, 44.7 percent did not keep any financial records, and 36.1 percent recorded financial transactions irregularly. Only 7.4

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percent prepared financial statements regularly, while 63.9 percent had never prepared financial reports, and 28.7 percent produced simple financial statements based on personal understanding. Furthermore, only 39 percent utilized financing facilities to expand their businesses.

Given that most micro-enterprise owners in Waru District have not prepared financial statements according to accounting standards and remain at the financial recordkeeping stage, this study focuses specifically on financial recordkeeping. This research differs from previous studies in terms of location, focus, sample characteristics, and data processing techniques. Earlier research primarily examined the implementation of full MSME financial reporting based on accounting standards, without identifying which stages of the accounting cycle were actually carried out by micro enterprises. This information is crucial for evaluating MSME financial management and guiding policy interventions. Prior studies also focused on broader MSME categories (micro, small, and medium enterprises) and generally used SPSS for data analysis.

In contrast, this study focuses exclusively on micro enterprises in Waru District that possess an NIB and examines financial recordkeeping as one fundamental stage of financial reporting. Data analysis is conducted using SEM-PLS 3 to obtain more comprehensive insights into the influence of business duration, education level, and business turnover on financial recordkeeping practices.

The objectives of this study are to analyze the influence of business duration, education level, and business turnover on financial recordkeeping among micro enterprises in Waru District. Specifically, the study examines whether the length of time a business has operated, the educational attainment of its owner, and the scale of its turnover significantly affect the accuracy, consistency, and implementation of financial recordkeeping practices.

Literature Review

Previous Studies

Prior research on factors influencing financial recordkeeping, financial reporting implementation, and the quality of MSME financial statements highlights inconsistent findings, particularly regarding business duration, education level, and business turnover. Related to business duration, several studies found a positive and significant influence on financial reporting quality (Erawati & Setyaningrum, 2021; Puspartini & Sulindawati, 2024). However, other studies reported no significant effect (Jannah et al., 2023; Wulandari & Arza, 2022).

Regarding education level, many studies concluded that education positively and significantly affects financial reporting quality (Puspartini & Sulindawati, 2024; Revila, 2024; Risal & Kristiawati, 2020; Zerlina et al., 2023). Conversely, some research found no influence (Budianto et al., 2024; Febriyanti & Wardhani, 2018).

For business turnover, studies show mixed results. Some findings indicate a significant positive effect on financial reporting (Ariani et al., 2024; Puspartini & Sulindawati, 2024; Risal & Kristiawati, 2020). Others conclude that turnover does not significantly influence the adoption of SAK EMKM (Wulandari & Arza, 2022; Jannah et al., 2023; Revila, 2024). The present study differs from earlier research in its focus on micro enterprises with NIB in Waru District and its emphasis on identifying the extent of financial recordkeeping as an early stage of the accounting cycle.

Theoretical Framework

1. Resource-Based View (RBV)
   According to RBV, competitive advantage arises from a firm's strategic resources, both tangible and intangible, such as knowledge, skills, and competencies (Dasuki, 2021). For micro enterprises—often run personally without managerial systems—human resources become a crucial factor for business performance (Tambunan, 2021).
2. Micro Enterprises
   Micro enterprises, as defined in Government Regulation No. 7/2021, are classified by capital and turnover. They typically exhibit simple production processes, limited product variety, and weak financial administration (Yuningsih et al., 2022).
3. Financial Recordkeeping
   Financial statements must follow accounting principles and require systematic bookkeeping, including recording, classifying, summarizing, and reporting transactions. SAK EMKM (IAI, 2022) provides relevant standards for

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MSMEs. Without proper recordkeeping, business owners cannot determine profits or make informed decisions (Sodikin, 2021; Andreas, 2011).

4. Business Duration
   Business duration indicates experience and stability. Longer operation periods improve managerial skills and financial reporting practices (Johan, 2021; Erawati & Setyaningrum, 2021).
5. Education Level
   Education influences knowledge, analytical ability, and financial management skills. Higher educational attainment improves understanding of accounting practices and financial reporting (Puspartini & Sulindawati, 2024; Wulandari & Arza, 2022).
6. Business Turnover
   Turnover represents business size and financial activity volume. Higher turnover increases the need for structured accounting and detailed financial statements (Silvia & Azmi, 2019; Ariani et al., 2024).

Hypotheses Development

1. Business Duration and Financial Recordkeeping
   Longer business operation enhances experience and financial management capability (Erawati & Setyaningrum, 2021). H1: Business duration positively and significantly influences financial recordkeeping.
2. Education Level and Financial Recordkeeping
   Higher education facilitates understanding of financial concepts and accounting applications (Puspartini & Sulindawati, 2024).
   H2: Education level positively and significantly influences financial recordkeeping.
3. Business Turnover and Financial Recordkeeping
   Greater turnover increases transaction volume, encouraging more structured bookkeeping (Ariani et al., 2024).
   H3: Business turnover positively and significantly influences financial recordkeeping.

Research Framework

The research model examines three independent variables—business duration (X1), education level (X2), and business turnover (X3)—and their influence on financial recordkeeping (Y) among micro enterprises in Waru District.

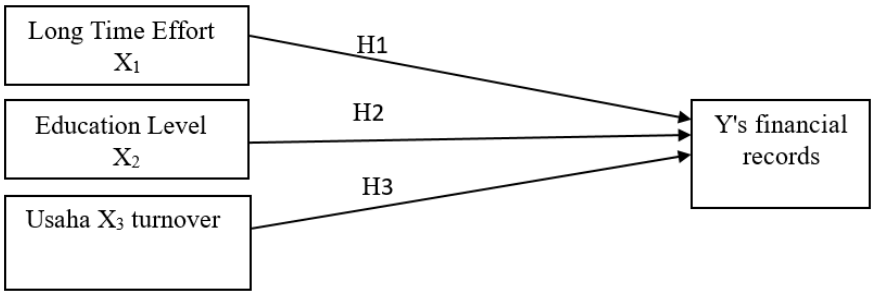

Figure 1. Research Framework

RESEARCH METHODS

Research Design

This study employs a quantitative descriptive approach, which uses numerical data and statistical procedures to analyze causal relationships among variables (Sujarweni, 2019). The descriptive component aims to provide an overview of each variable independently.

Research Location

The research was conducted in Waru District, Sidoarjo Regency, an urban area bordering East Surabaya and consisting of 17 villages with a large and diverse population of micro-enterprise owners.

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Population and Sample

The population consists of 490 micro enterprises registered as Waru District's assisted MSMEs with a valid Business Identification Number (NIB) (Waru District Data, 2025). Given the heterogeneous nature of the population, probability sampling was used (Sujarweni, 2018). The Slovin formula with a 10% precision level produced a sample of 84 micro enterprises.

Data Collection

Primary data were collected through questionnaires distributed to micro-enterprise owners, while secondary data were obtained from the Waru District office, online sources, and relevant literature.

Research Instrument

A structured questionnaire was used to measure all variables (Sujarweni, 2018). The instrument included 25 items on financial recordkeeping and several demographic questions (age, gender, business type, capital, workforce, marketing reach, recordkeeping method, production continuity, income category, training experience, education level, business duration, and turnover).

Measurement Scales

Business duration, education level, and business turnover were measured using an ordinal scale (Sujarweni, 2018), while financial recordkeeping was measured using a 4-point Likert scale to avoid neutral responses (Hadi, 1991; Riduwan, 2018; Riyanto & Setyorini, 2024).

Operational Definitions and Variables

The study uses latent variables measured by observable indicators based on SEM-PLS classification (Riyanto & Setyorini, 2024).

1. Exogenous variables: business duration (X1), education level (X2), business turnover (X3).
2. Endogenous variable: financial recordkeeping (Y).

Operational definitions and indicators follow previous research (Erawati & Setyaningrum, 2021; Puspartini & Sulindawati, 2024; Ariani et al., 2024; Faiza, 2021).

Data Analysis

Data analysis consists of descriptive statistics and inferential analysis using SEM-PLS via SmartPLS 3.0. SEM-PLS is suitable for complex causal models, small samples, and non-normal data (Ghozali, 2021).

1. Measurement Model (Outer Model)

   The outer model assesses indicator quality through validity and reliability tests:
   a. Convergent validity: outer loading ≥ 0.70; AVE ≥ 0.50 (Ghozali, 2021).
   b. Discriminant validity: cross-loadings and HTMT < 0.90.
   c. Reliability: Composite Reliability ≥ 0.70; Cronbach's Alpha ≥ 0.60 (Riyanto & Setyorini, 2024).
2. Structural Model (Inner Model)

   The inner model tests causal relationships among latent variables through:
   a. R^2: strong (>0.75), moderate (0.51–0.75), weak (0.25–0.50) (Hair et al., 2017 in Ghozali, 2021).
   b. Q^2: predictive relevance > 0 (Hair et al., 2017).
3. Hypothesis Testing

   Hypotheses were tested using bootstrapping, evaluating t-statistics and p-values (Ghozali, 2021).
   a. Significant if $t \geq 1.96$ or $p \leq 0.05$.
   b. Path coefficients (β) indicate the direction and strength of relationships.

RESULTS AND DISCUSSION

Respondent Profile

Data were collected through online (Google Forms) and face-to-face questionnaires distributed to micro-enterprise owners in Waru District who met the criteria of having operated for more than one year, relying on their

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business as their primary income source, and holding a valid Business Identification Number (NIB). A total of 84 respondents participated, consistent with the required sample size based on the Slovin formula (10% error rate). The respondents' characteristics are summarized below.

Most respondents were female (94.05%), predominantly aged 41–50 years (34.52%) and 51–60 years (29.76%). The majority operated in the food and beverage sector without storefronts (59.52%), employed 1–3 workers (95.24%), and had a monthly turnover of less than Rp 3 million (60.71%). In terms of market reach, most businesses operated within the district (55.95%) or regency (25%).

Regarding financing, 64.29% did not use bank loans, and 90.48% conducted financial recordkeeping manually, with very limited use of digital tools. Only 33.33% had ever attended financial management training. Most respondents considered their business as their primary income source (64.29%) and operated it continuously (77.38%).

Data Analysis

1. Measurement Model (Outer Model)

The outer model was tested to ensure the validity and reliability of the indicators measuring each latent variable (Hair et al., 2017; Ghozali, 2021). Validity was assessed through convergent validity (outer loadings, AVE) and discriminant validity (cross-loadings, HTMT), while reliability was evaluated using Composite Reliability and Cronbach's Alpha.

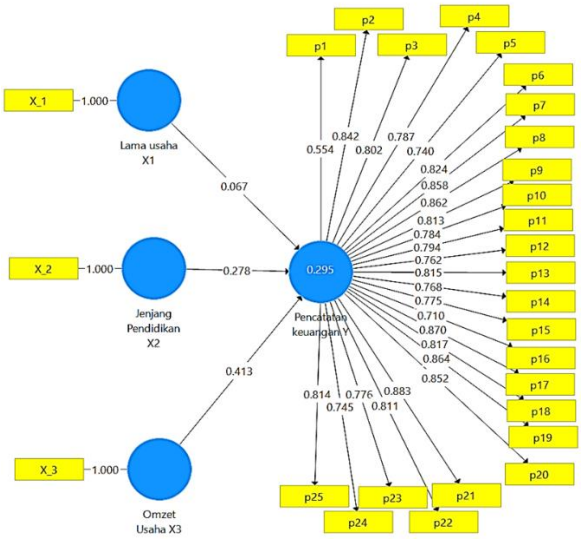

Figure 2. Outer Model Analysis Results
Source: PLS data processing results, 2025

a. Validity Test

Validity testing was conducted on 84 samples to determine whether the instrument was valid, using both convergent and discriminant validity. Convergent validity was assessed through outer loadings and Average Variance Extracted (AVE), while discriminant validity was evaluated using cross-loadings and the Heterotrait–Monotrait (HTMT) ratio.

1) Convergent Validity

Convergent validity is considered good when outer loadings exceed 0.70; values above 0.50 are still acceptable, while indicators with loadings below 0.50 should be removed from the model (Hair et al., 2017, in Gozali, 2021). The outer loading results are shown in the table below.

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Table 1. Outer Loadings Result

Variable	Indicator	Outer loadings	Description
Length of Business (X1)	X_1	1.000	Valid
Education Level (X2)	X_2	1.000	Valid
Business Turnover (X3)	X_3	1.000	Valid
Financial Records (Y)	p1	0.554	Valid
	p2	0.842	Valid
	p3	0.802	Valid
	p4	0.787	Valid
	p5	0.740	Valid
	p6	0.824	Valid
	p7	0.858	Valid
	p8	0.862	Valid
	p9	0.813	Valid
	p10	0.784	Valid
	p11	0.794	Valid
	p12	0.762	Valid
	p13	0.815	Valid
	p14	0.768	Valid
	p15	0.775	Valid
	p16	0.710	Valid
	p17	0.870	Valid
	p18	0.817	Valid
	p19	0.864	Valid
	p20	0.852	Valid
	p21	0.883	Valid
	p22	0.811	Valid
	p23	0.776	Valid
	p24	0.745	Valid
	p25	0.814	Valid

Source: PLS data processing results, 2025

The validity test results in the table above show that 24 indicators have outer loading values greater than 0.7 and 1 indicator has an outer loading value above 0.5, indicating that all indicators are valid.

In addition to outer loadings, validity can also be assessed using the Average Variance Extracted (AVE). A construct is considered to have good validity if its AVE value is ≥ 0.50 (Hair et al., as cited in Gozali, 2021: 71). The results are presented below.

Table 2. Average Variance Extracted (AVE)

Variable	*Average Variance Extracted* (AVE)	Description
Education Level (X2)	1.000	Valid
Year of Business (X1)	1.000	Valid
Business Turnover (X3)	1.000	Valid
Financial Records (Y)	0.639	Valid

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Source: PLS Output, 2025

Based on the table above, the Average Variance Extracted (AVE) values for all variables are greater than 0.5, indicating that all variables meet the criteria for convergent validity and that this study has good data validity.

2) Discriminant Validity

Discriminant validity was analyzed using cross-loading values. An indicator is considered valid when its loading on its own construct is higher than on other constructs. The results of the discriminant validity test are as follows:

Table 3. Cross Loadings

	Long time effort X1	**Education Level X2**	**Usaha X3 turnover**	**Y's financial records**	**Description**
Length of Business X_1	1.000	-0.141	0.082	0.061	Valid
Education Level X_2	-0.141	1.000	0.188	0.347	Valid
Business Turnover X_3	0.082	0.188	1.000	0.471	Valid
p1	0.032	0.165	0.285	0.554	Valid
p2	0.058	0.292	0.466	0.842	Valid
p3	0.142	0.275	0.329	0.802	Valid
p4	0.204	0.262	0.357	0.787	Valid
p5	0.032	0.335	0.529	0.740	Valid
p6	-0.015	0.307	0.287	0.824	Valid
p7	0.010	0.263	0.491	0.858	Valid
p8	0.041	0.292	0.438	0.862	Valid
p9	0.107	0.087	0.350	0.813	Valid
p10	0.039	0.326	0.417	0.784	Valid
p11	0.091	0.276	0.325	0.794	Valid
p12	-0.014	0.243	0.336	0.762	Valid
p13	-0.009	0.273	0.331	0.815	Valid
p14	0.000	0.163	0.291	0.768	Valid
p15	0.100	0.213	0.344	0.775	Valid
p16	0.015	0.245	0.283	0.710	Valid
p17	-0.038	0.354	0.387	0.870	Valid
p18	0.010	0.295	0.320	0.817	Valid
p19	0.021	0.358	0.433	0.864	Valid
p20	0.139	0.275	0.421	0.852	Valid
p21	0.061	0.271	0.448	0.883	Valid
p22	0.011	0.250	0.396	0.811	Valid
p23	0.055	0.350	0.259	0.776	Valid
p24	0.072	0.323	0.284	0.745	Valid
p25	0.063	0.298	0.373	0.814	Valid

Source: PLS data processing results, 2025

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The table above shows that each construct correlates more strongly with its own indicators than with other constructs, indicating that all latent variables have good discriminant validity based on the cross-loading test.

In addition to cross-loadings, discriminant validity can also be assessed using the Heterotrait–Monotrait (HTMT) ratio, which measures correlations between constructs. The recommended HTMT value is < 0.9. The results are as follows:

Table 4. HTMT Results

	Long time effort X1	Education Level X2	Usaha X3 turnover	Y's financial records
Education Level X2				
Year of Business X1		0.141		
Business Turnover X3	0.082	0.188		
Financial Records Y	0.070	0.345	0.466	

Source: PLS Output, 2025

Based on the table above, all HTMT values are below 0.9, indicating that the research instrument is valid.

b. Reliability Test

Reliability testing ensures that there are no measurement issues. In this study, instrument reliability was assessed using Composite Reliability (CR) and Cronbach's Alpha. A variable is considered reliable if its Cronbach's Alpha ≥ 0.6 or its Composite Reliability ≥ 0.7 (Hair et al., 2019, in Gozali).

Table 5. Reliability Results

Variable	Cronbach's Alpha	Composite Reliability	Description
Education Level X2	1.000	1.000	Reliable
Year of Business X1	1.000	1.000	Reliable
Business Turnover X3	1.000	1.000	Reliable
Financial Records Y	0.976	0.978	Reliable

Source: PLS data processing results, 2025

The composite reliability and Cronbach's alpha results show that all latent variables meet the criteria (CR ≥ 0.7 and Cronbach's alpha ≥ 0.6). Thus, the research instrument is reliable, consistent, and dependable.

2. Structural Model (Inner Model)

The inner model evaluates the predictive relationship between exogenous variables (business duration, education level, turnover) and financial recordkeeping.

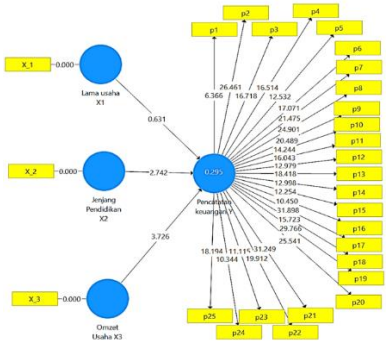

Figure 3. Inner Model Results

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Source: PLS Output, 2025

a. R-Square

The R^2 value for financial recordkeeping was 0.295, indicating that 29.5% of the variance is explained by the three predictors, while 70.5% is influenced by other factors. Based on Hair et al. (2017), this represents weak predictive power.

Table 6. R-Square Value

	R Square
Length of business (X1), Education Level (X2) and Business Turnover (X3) --> Financial Records (Y)	0.295

Source: PLS Output, 2025

b. Q-Square

The Q^2 value of 0.151 falls into the medium category, showing that the model has moderate predictive relevance, though close to the lower threshold (Hair et al., 2017).

Table 7. Q-Square Value

	Q^2 (=1-SSE/SSO)	Category
Financial records (Y)	0.151	medium

Source: PLS Output, 2025

3. Hypothesis Testing

Hypothesis testing was conducted using bootstrapping. A relationship is considered significant if $p < 0.05$.

Table 8. Path Coefficients (Hypothesis Test Results)

Hypothesis		**Original sample (O)**	**T Statistics**	**P Values**	**t-table = 1,967; α = 0,05)**	**Description**
Length of business X1 -> Financial records Y	H1	0.067	0.631	0.528	T-statistic <1.967 and P-Value >0.05	Rejected
Education Level X2 -> Financial Recording Y	H2	0.278	2.742	0.006	T-statistic > 1.967 and P-Value < 0.05	Accepted
Business Turnover X3 -> Financial records Y	H3	0.413	3.726	0.000	T-statistic > 1.967 and P-Value < 0.05	Accepted

Source: PLS Output, 2025

Key findings:

a. Business duration → Financial recordkeeping
Not significant (t = 0.631; p = 0.528).

b. Education level → Financial recordkeeping
Significant positive effect (t = 2.742; p = 0.006).

c. Business turnover → Financial recordkeeping
Significant positive effect (t = 3.726; p = 0.000).

Overall, the model indicates that education level and turnover significantly improve financial recordkeeping practices, while business duration does not.

Discussion of Research Findings

1. Effect of Business Duration on Financial Recordkeeping

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The results indicate that business duration has a positive but insignificant effect on financial recordkeeping; therefore, H1 is rejected. This finding aligns with Wulandari & Arza (2022) and Jannah, Hasugian & Syarvina (2023), who also found that business duration does not significantly influence financial reporting. Although more years in business may increase experience, this experience tends to be operational—related to production and sales—rather than in accounting or financial reporting (Wulandari & Arza, 2022).

In Waru District, although 83% of micro-business owners have operated for more than two years, most (90%) still rely on simple manual bookkeeping, limited to recording cash inflows and outflows without classifying accounts, preparing journals, or compiling statements. Detailed accounting is perceived as difficult or unnecessary unless driven by external requirements such as bank loans, grants, or licensing. Internal factors—limited labor, reliance on family members, and low accounting competence—also restrict the ability to implement systematic financial records. Thus, business duration offers only a slight positive tendency but is not a significant determinant of financial recordkeeping quality.

2. Effect of Education Level on Financial Recordkeeping

The results show that education level has a positive and significant effect on financial recordkeeping, supporting H2. This confirms findings by Puspartini & Sulindawati (2024), Revila (2024), Wulandari & Arza (2022), and Zerlina, Silfi & Hariyani (2023), who reported that higher education improves financial reporting practices and supports the implementation of SAK EMKM. Education enhances theoretical, conceptual, and ethical competencies (Puspartini & Sulindawati, 2024) and strengthens accounting knowledge and motivation to apply proper standards (Zerlina et al., 2023).

In Waru District, 39% of micro-business owners have higher education (37% diploma/bachelor, 2% postgraduate), whereas only 7% have low education. Proper financial recordkeeping requires conceptual understanding, including separation of personal and business finances, classification of assets, liabilities, payables, inventory, and preparation of profit–loss statements and balance sheets (Faiza, 2021:28). Education also shapes discipline and readiness to adopt structured financial systems and encourages not only daily recording but also monthly recaps and annual financial reports. Thus, formal education is a dominant factor driving micro-business owners toward more structured, complete, and accurate financial recordkeeping—even when still using manual methods.

3. Effect of Business Turnover on Financial Recordkeeping

The findings show that business turnover has a positive and significant effect on financial recordkeeping, supporting H3. This is consistent with Ariani, Mukhzarudfa & Gowon (2024), who found that turnover strongly influences the preparation of financial statements among MSMEs. Higher turnover increases financial complexity and responsibility, encouraging business owners to adopt SAK EMKM. As turnover and financial flow increase, so does the need for structured reporting (Silvia & Azmi, 2019).

Therefore, turnover serves as a key quantitative driver, creating both functional and regulatory pressure for micro-business owners in Waru District to implement more systematic financial recordkeeping.

4. Model Strength for the Influence of Business Duration, Education Level, and Turnover

The model produces $R^2 = 0.295$ (weak) and $Q^2 = 0.151$ (medium, slightly above the lower limit), indicating that the predictive ability of the model ranges from weak to moderate. The three predictors explain 29.5% of financial recordkeeping, while 70.5% is explained by other factors not included in the model. The weak–moderate model strength is due to the insignificance of business duration, while the significant effects of education and turnover are insufficient to offset the high residual value.

The rejection of H1 confirms that business duration does not contribute significantly to financial recordkeeping.

The unexplained 70.5% suggests the presence of other influential factors, such as:

a. Financial literacy and non-formal training: Exposure to accounting education, mentoring, and simple financial reporting tools.

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b. External requirements: Such as loan applications, access to credit, grants, and government procurement. Only 39% of micro-business owners in Waru use credit facilities, and only 7.4% consistently prepare financial statements (Novitasari, 2019).
c. Business complexity: Most businesses (56%) operate only within the district, and 61% have monthly turnover below 3 million rupiah. Small-scale operations reduce the perceived need for detailed accounting (Faiza, 2021:24–25).
d. Low technology adoption: Only 1% use accounting applications or Excel, indicating underutilization of simple digital tools that could facilitate financial recordkeeping.

CONCLUSION

The findings of this study indicate that business duration has a positive but insignificant effect on financial recordkeeping among micro-enterprises in Waru District (t-statistic = 0.631; p-value = 0.528; coefficient = 0.067), leading to the rejection of H1. This suggests that although business owners may gain operational experience over time, such experience does not serve as a strong or decisive factor in improving financial recordkeeping practices. In contrast, the education level of micro-business owners demonstrates a positive and significant influence on financial recordkeeping (t-statistic = 2.742; p-value = 0.006; coefficient = 0.278), resulting in the acceptance of H2. This confirms that higher educational attainment enhances the ability and awareness of micro-entrepreneurs to maintain proper financial records. Similarly, business turnover exerts a positive and significant effect on financial recordkeeping (t-statistic = 3.726; p-value = 0.000; coefficient = 0.413), supporting H3. Higher turnover increases financial complexity and the need for structured financial reporting among micro-enterprises in Waru District.

Overall, the model's predictive ability is categorized as weak to moderate, as reflected in the R-square value of 0.295 and Q-square value of 0.151. This indicates that business duration, education level, and business turnover collectively explain 29.5% of the variation in financial recordkeeping, while the remaining 70.5% is influenced by other factors not examined in this study.

Suggestions

Based on these findings, several recommendations can be made for stakeholders. First, micro-entrepreneurs should adopt a more structured administrative mindset and improve their financial recording habits. Strengthening financial competence—either through formal education or non-formal avenues such as courses, training, technical guidance, or self-learning—is essential for supporting the preparation of accurate financial statements in accordance with the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM).

Second, stakeholders, including government institutions, state-owned enterprises (BUMN/BUMD), private organizations, and related agencies, are encouraged to provide concrete support and capacity-building programs to help micro-business owners implement proper financial recordkeeping and reporting based on SAK EMKM.

Finally, future research should explore additional variables that may influence financial recordkeeping practices and expand the study area to include respondents from diverse regions in order to obtain broader and more comprehensive insights.

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