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Determinants of the Business Sustainability of MSMEs Businesses in West Jakarta

Lisnurasiyah, Wiwik Utami
Master of Accounting
Mercu Buana University
Jakarta, Indonesia

Abstract:- The large contribution of MSMEs to the Indonesian economy, it was recorded that in 2019 MSMEs were able to contribute to Indonesia's GDP, which was around 60.3%. However, in reality, MSMEs often experience delays in their development and experience failure. This study aims to determine the effect of the quality of financial statements, business risk, and human resource competence on business sustainability. Researchers conducted a survey on 120 small and medium-sized businesses in West Jakarta as research samples. SEM PLS was used as an analytical tool in this study. The research data used came from questionnaires which were collected using a survey method. The results show that the quality of financial reports has a positive and significant effect on business sustainability, business risk has a negative and significant effect on business sustainability, and human resource competence has no positive and significant effect on business sustainability.

Keywords:- *Business Risk; Business Sustainability; Human Resources Competence; Quality of Financial Reports.*

I. INTRODUCTION

MSMEs contribute to the Indonesian economy. In 2017, the contribution of MSMEs to Indonesia's GDP was recorded at 57.1% or Rp. 7,500.9 trillion. Then in 2018 MSMEs contributed more to Indonesia's GDP, namely 57.8% or Rp.8,573.9 trillion of the total GDP of Rp. 14,838.3 T. The total contribution was also reflected in the soaring absorption of labor from the MSME sector, which until 2018 was 121 million workers or 97% of the total workforce in Indonesia or 121 million workers out of a total of 170 million workers (Jayani, 2020). However, in reality, MSMEs often experience delays in their development. This is because there are many problems that are difficult to solve, for example the issue of human resource capacity, ownership, funding, marketing and other problems related to business governance, so that MSMEs are difficult to compete with large companies (Abor et al., 2010). The following is the contribution of MSMEs to GDP for the last 5 years.

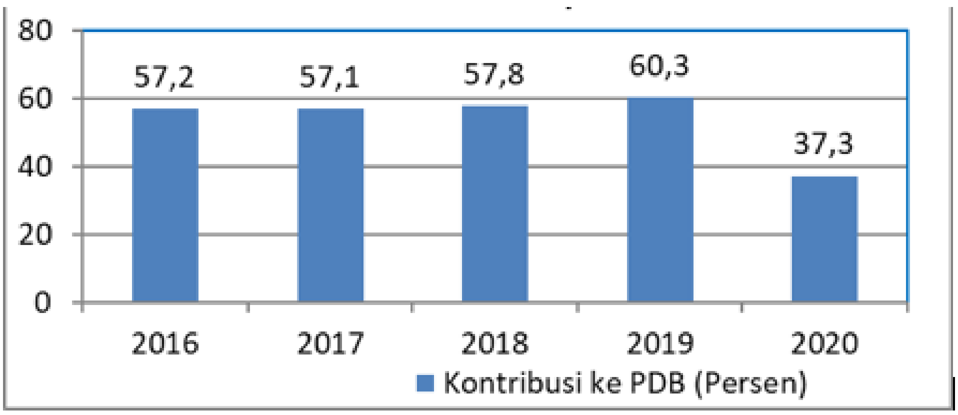

Figure 1 Contribution of SMEs to GDP 2016 – 2020

Source: (Ministry of Cooperatives and SMEs, 2020)

The role of MSMEs in GDP in 2020 is the lowest since 2016 at 37.3%. That role decreased to 38.14% from the previous year due to the Covid-19 pandemic. The current crisis due to the Covid-19 outbreak has implications for the continuation of MSME businesses (Kemenkop, 2020). The Ministry of Cooperatives and SMEs revealed that at least 37,000 MSMEs practitioners were affected by the pandemic. In fact, MSMEs are the biggest pillar of the Indonesian economy. Covid-19 worries MSMEs practitioners. The low purchasing power makes their income go down. This is reflected in the Katadata Insight Center survey of MSMEs practitioners in Greater Jakarta in June 2020. The results show that only 5.9% of MSMEs can make a profit during the pandemic. Then, there are 82.9% of MSME practitioners affected by COVID. Then 63.9% decreased income 30% more. This phenomenon makes the condition of MSMEs worse than before the pandemic. KIC noted that 56.8% of MSMEs had bad conditions and only 14.1% declared that their business was fine. KIC also found that 62.6% of MSMEs could still survive until March 2021. But there were 18.5% who said they could only survive for 6 months. Then 6% of MSMEs said they could only survive for less than three months and were encouraged to go bankrupt if the situation had not improved (Katadata Insight Center, 2020).

MSMEs are businesses that dominate in developing countries, but the resilience and sustainability of their businesses cannot be ensured. Based on previous research, less than 50% of newly founded businesses last more than five years and this is not only experienced in South Africa, but also a common phenomenon throughout the world (Annekie, Michael, & Andre, 2003). Research has shown that 60 percent of MSMEs fail after a few months of operation (Karadag, 2015). Around 80% of businesses fail within their first year (Sbanda & Manda, 2016). Three out of five MSMEs businesses fail within the first few months (Bowen, Morara, & Mureithi, 2009). 2/3 of new businesses are able to survive for at least 2 years and only 44% survive up to 4 years due to poor management (Kofi et al., 2014). The high failure rate of MSMEs around 90% worldwide is due to poor financial management practices (Zada et al., 2019).

One of the main problems of MSMEs is in maintaining their business is the availability of capital. This situation arises because MSMEs & SMIs do not have proper financial reports and follow the guidelines according to the financial industry. While the financial report for MSMEs is an accounting information that is used to achieve business success. The difficulty factor in preparing MSMEs and SMIs financial reports is also caused by low financial accounting practices, namely due to the lack of education on Accounting Standard. Many MSMEs and SMIs cannot calculate their own assets and business growth. The lack of clarity in financial records causes MSMEs and SMIs to make wrong business decisions. Lack of accounting records has a negative effect on the sustainability of MSMEs. And according to Musah (2017) bookkeeping practices have a positive relationship with the growth and performance of MSMEs.

In addition, the business sustainability of MSMEs and SMIs is also determined by the type of business risk of MSMEs and SMIs themselves. The sustainability of the company is strongly influenced by the company's performance in earning a profit, so it is necessary to create a culture of risk awareness to reduce the impact of errors and omissions that affect the risk of business sustainability. The role of risk management is becoming increasingly important for risk control related to the company's relationship with banks, insurance, and other parties. Micro, small and medium enterprises which are often managed by families often ignore risk and internal control by relying on trust in their management. In addition, small-scale activities carried out by micro and small entrepreneurs often pose environmental risks which are a direct threat to the health and livelihoods of the population (Nugroho et al., 2017). Usually people are poor, lack education and knowledge, so they don't care about environmental problems and sometimes they also contribute directly to environmental destruction (Nugroho et al., 2017). This certainly has an impact on social, environmental and compliance risks. So that control efforts in order to minimize risk are very necessary for business sustainability.

The next factor that is no less important is human resource competence. Competence is always different for each individual in an organization (Yudin & Utami, 2020). The better the competence of each member of staff and management, the higher the achievement of a company's performance. The company's performance that continues to grow means that business sustainability is guaranteed. According to Jayabalan (2020), employee knowledge and employee skills have a significant positive effect on the performance of MSMEs, Widiastuti (2019) also stated that the knowledge, skills, and abilities of Human Resources have a significant effect on business sustainability.

West Jakarta as one of the administrative cities in DKI Jakarta Province is the city with the highest number of MSMEs in DKI Jakarta. The total businesses/companies resulting from SE2016 in West Jakarta are 322,049 businesses. The total MSMEs in West Jakarta are 306,129 businesses/companies or 26.51 percent of the total MSMEs in DKI Jakarta. This large number of MSMEs indicates that West Jakarta actually has greater economic potential than other areas in DKI Jakarta, because basically the large number of businesses can support the economy of a region (Https://jakbarkota.bps.go.id, 2016). From these various descriptions, the purpose of this research is to ensure and examine various indicators that affect the sustainability of MSME/SMI businesses, namely the quality of financial reports, business risks, and Human Resources competence in West Jakarta.

II. LITERATUR REVIEW AND HYPOTHESIS DEVELOPMENT

A. *Stakeholder Theory*

Stakeholder theory initiated by Clarkson (1994) defines rights as the result of transactions carried out by institutions, then legally, individually or collectively. Stakeholders can be grouped as follows: employees, shareholders, customers and others. Freeman (2010) defines Stakeholder Theory as a theory that explains on what side the company is responsible. The implication in this study is that companies are required to maintain relations with stakeholders by supporting their wishes and needs, especially stakeholders with power over the availability of resources used for operational needs, for example employees, markets, and others. In this case, of course, small and medium-sized industrial enterprises need to accommodate the interests of their stakeholders, in this case the government, lenders, customers, employees, communities and others so that the survival of their business can run.

B. *Business Sustainability*

Business Sustainability in MSMEs is seen from the company's success in innovating, managing employees and customers as well as the return from initial capital. This explains that companies have a desire to grow and see opportunities to innovate in a sustainable manner (Hudson et al., 2001). Sustainability is a form of consistency in business conditions, where sustainability is the progress of a good business in the form of development, growth, efforts to maintain business sustainability as well as developing a business which will lead to business existence (Yusmansyah et. al., 2020). One of the proxies for assessing the sustainability of MSME businesses is to assess the performance of MSMEs. Main et al. (2019) reveals that the survival of a company, especially MSMEs, is strongly influenced by internal and external fpractitioners, as can be seen from its performance both in the short term and long term. Something similar to Rokhayati (2015) summarizes several indicators that can be used to assess the performance of a business, especially MSMEs, which are reflected in: a) increased sales growth / sales turnover, b) increased capital / financial growth, c) field growth rates high employment, d) broad market growth rate, e) profit/profit growth rate continues to increase, f) profit/profit rate, g) customers/consumers, and h) suppliers. Kelara & Suwarni (2020) revealed that the growth of MSMEs performance can be seen from the ability of MSMEs to increase sales and market share, increase profitability, reduce costs, grow company size or total assets. Sibanda & Manda (2016) defines the growth of MSMEs performance as can be seen from the ability of MSMEs to increase sales and market share, increase profitability, reduce costs, grow company size or total assets.

C. *Quality of Financial Reports*

Quality of financial reports is reporting in accordance with the accounting standards used (Yadiati & Mubarok, 2017:9). Meanwhile, the quality of financial reporting is an activity to report financial information in order to meet the needs of users (users need) while providing protection for owners (investors protection) based on the qualitative characteristics of financial information and full and fair disclosure (Yadiati & Mubarok, 2017: 32). According to Robinson (2020: 207) the quality of financial reports is related to the quality of the information contained in the financial statements. High quality financial reports provide useful information for decisions that represent the economic reality of the company. If the quality of financial reporting is low, the information provided is of little use in assessing the company. Meanwhile, companies that have accounting capabilities will produce quality information and will have quality business decisions (Gooderham et al., 2004). Many MSMEs and SMIs do not have systematic accounting practices which have a major negative impact on the growth and sustainability of MSMEs and SMIs. Due to the lack of quality accounting information, many MSMEs owners/managers are found to make inaccurate and careless decisions regarding investment, credit, operations, etc. (Chakraborty, 2015). The weakness of MSMEs and SMIs in understanding accounting information and inability to apply accounting practices, often MSMEs and SMIs do not know in detail their business developments, including the risks they face. As a result, MSMEs/SMIs cannot make the right business decisions. Errors in assessing the business, mistakes in making these decisions have an impact on the growth as well as the survival of the company. So the hypothesis in this study are:

H1 : The quality of financial reports has a positive effect on business sustainability. The higher the quality of financial reports, the higher the business sustainability.

D. *Business Risk*

Risk is the possibility or uncertainty or opportunity that an activity will have unintended consequences, or the activity itself, which is often also referred to as source risk or threat (Crovini, 2019:25). Most of the MSMEs and SMIs businesses are run in a family manner which makes business management unprofessional and only relies on trust. As a result, internal control becomes weak and causes business sustainability to be threatened. The family business is one of the most problematic businesses in terms of risk management. The feeling of trust that forms the basis of the family business's management style, unprofessional management style, inadequate internal controls, for example, segregation of duties due to operating with a limited number of personnel, lack of capital, and other risks all make this business vulnerable to risk. . The pressure of family members to convert income into wealth and the understanding of management that is not institutionalized in family businesses, and the lack of balance between family and business are one of the most important fpractitioners hindering business sustainability (Kaya & Uzay, 2017: 50). The hypotheses proposed in this study are:

H2 : Business risk has a negative effect on business sustainability. The higher the business risk, the lower the business sustainability.

E. *Human Resources Competence*

Human resource comprtrncr is the ability of a person or individual, an organization (institution), or a system to carry out its functions or authority to achieve its goals effectively and efficiently. Quality must be seen as the ability to achieve performance, to produce outputs and results (Yudin & Utami, 2020). Human capital which is part of intellectual capital reflects the company's collective ability to produce the best solutions based on the knowledge possessed by the people in the company (Wahyuni & Utami, 2018). Busro (2018:26) states that competence is everything that is owned by a person in the form of knowledge of skills and other individual internal fpractitioners to be able to do a job based on the knowledge and skills possessed. Competence according to Spencer & Spencer (1993) is a person's underlying characteristics related to the effectiveness of individual performance in his work. The development of MSMEs resource competencies must be considered in order to produce a workforce that is able to compete in the global market. In addition, an increase in human resources is very much needed considering the development of MSMEs (Sembiring 2016). Many MSMEs and SMIs owners do not have sufficient managerial skills to lead their businesses. This weakness from the managerial side causes MSMEs and SMIs to be unable to maintain their viability. Some of the weaknesses in these entrepreneurial skills include lack of knowledge in financial management, lack of ability in preparing financial reports and analysis, weaknesses in mastering technology, leadership weaknesses, weaknesses in participating in similar business networks, weaknesses in anticipating and controlling business risks and of course the weak background factor. behind the education of the owners of MSMEs and SMIs themselves. So the hypothesis in this study are:

H3 : Human Resources competence has a positive effect on business sustainability. The higher the Human Resources competence, the higher the business sustainability.

III. RESEARCH METHOD

This research is used to test the hypothesis with the type of causal research in which there are two research variables, namely the independent variable (quality of financial reports, business risk and Human Resources competence) and the dependent variable (business sustainability). The dependent variable is a variable that depends on other variables, while the independent variable is a variable that does not depend on other variables. The data used in this study is primary data using a questionnaire as a research instrument for data collection by measuring using a Likert scale. The description of the variables, dimensions, and indicators for developing the questionnaire in this study is shown in table 1. Overall there are 48 statement items for the measurement variables, namely the quality of financial reports (X1), business risk (X2), human resource competence (X3), and business sustainability (X4).

Variable	Dimension	Indicator	Reference	Scale
Quality of Financial reports (X1)	a. Relevance b. Faithfull Representation c. Comparability d. Timeliness e. Verifiability f. Understandability	1. Benefits feedback 2. Economic benefit for its users 3. Timeliness 4. Predictive value 5. Completeness 6. Proper utilization for its users 7. Neutrality 8. Consistent application of principles (comparability) 9. Consistent application of accounting policies 10. Verifiability 11. Understandability	(Yadiati & Mubarok, 2017)	Interval
Business Risk (X2)	a. Social environment, compliance, and reputation Risk b. Liquidity & Supply Risk c. Operational and marketing Risk	1. Rules to reduce employee fraud incentives 2. Rewarding for performance achievement 3. Integration of risk management into objectives 4. An organizational structure being in the context of internal and external control 5. The ability to provide financial reserves in case of natural disasters and changes in economic policies and government regulations 6. An increase in the cost of raw materials 7. An increase in the cost of goods sold 8. An increase in employee wages 9. The ability to carry out technical guidelines 10. The ability to pay product distribution costs through partner institutions 11. The ability to manage revolving funds	(Firmansyah & Rosmawarni, 2020), Sari dkk (2017), Covington (2020)	Interval
Human Resources Competence (X3)	a. Intellectual Competence b. Emotional Competence c. Social Competence	1. Good achievement/performance orientation 2. The ability to make decisions based on the right information 3. Knowledge related to the field of business/work/industry 4. Initiative 5. Practical skills/expertise 6. Oral and written communication skills 7. The ability to understand other people 8. The ability to adapt to various changing situations	(Spencer & Spencer, 1993)	Interval

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Variable	Dimension	Indicator	Reference	Scale
		9. Organizational commitment 10. The ability to build and maintain networks 11. The ability to work in a team 12. The ability to influence others 13. The ability to be a role model for group members		
Business Sustainability (Y)	a. Sales Growth b. Profit Growth c. Production Growth	1. Sales increase every year 2. Increased number of consumers every year 3. Increased number of employees 4. Decreased cost of goods sold 5. Profit earning every year 6. Asset development every year 7. Development of working capital every year 8. Increased production capacity every year 9. No idle production capacity 10. Certified supplier of production needs 11. Growing production market share every year	Rokhayati, (2015) Utama, dkk (2019) Sibanda Manda (2016) Islami et. Al., (2020)	Interval

Table 1: Variables, Dimensions, and Indicators

Source: Literature review

A. *Population and Sample*

The population in this research is SMIs entrepreneurs in West Jakarta with groups of food & beverage products, apparel (convection) assisted by the West Jakarta PPKUKM service totaling 1826 entrepreneurs. To get conclusions that are consistent with the objectives and describe the situation and the number of available samples, the purposive sampling technique was used in this study. Purposive sampling technique is a method of selecting samples using criteria. This technique is a sample selection process by first directing the total sample to be used, then sample selection is carried out based on certain objectives, while not deviating far from the sample characteristics (Sugiyono, 2017). The next type of purposive sampling carried out is quota sampling or also known as quota sampling (Sayidah, 2018). That is the method of collecting samples by determining certain characteristics up to the desired amount, if data collection has not reached the set amount, the research has not been completed (Sugiyono, 2017: 126). In this study, the total sample used was determined from each sub-district in West Jakarta, namely 8 sub-districts. Samples taken as many as 10 to 15 sub-district entrepreneurs (15 X 8 = 120 samples) are considered representative of the existing population. Furthermore, from the quota, criteria were determined for each sample, namely: 1) SMIs that prepared financial reports for at least the last one year, 2) SMIs that were still actively operating, and 3) Willing to be used as research samples.

B. *Data Collection Technique*

Primary data was obtained by distributing questionnaires to business owners or staff managers as respondents, by first writing to the West Jakarta PPKUKM office. After receiving the disposition and list of SMI business practitioners for food, beverage and convection products, data collection was carried out by distributing online questionnaires via WhatsApp. The questionnaire was made using a Google/Google Form so that respondents could fill out the questionnaire using a gadget or computer/laptop connected to the internet. This was done due to the Covid-19 pandemic, so outdoor activities were very limited. There are 48 questionnaire statements consisting of 13 statements on the quality of financial reports, 11 statements about business risk, 13 statements about Human Resources competence and 11 statements about business sustainability that the respondents must answer. Furthermore, the measurement of the questionnaire used a Likert scale.

C. *Data Analysis Method*

The analytical method used is PLS-SEM. According to Nurlaela (2018: 222), PLS is a multivariate statistical technique with a variance base that is formed to perform multiple regression when there are specific problems in the data such as small sample sizes, missing values, as well as multicollinearity. Smart PLS 3 consists of testing the outer model (testing validity & reliability) and the inner model (testing research hypotheses).

IV. RESULTS

A. Descriptive Statistical Analysis

No		Mean	Std. Deviation
1	Benefits feedback	4.14	0.882
2	Eeconomic benefits for its user	4.27	0.874
3	Timeliness	4.00	0.930
4	Predictive value	3.98	0.894
5	Completeness	4.01	0.926
6	Proper utilization for its users	3.97	0.931
7	Neutrality	4.03	0.964
8	Consistent application of principles (comparability)	3.89	1.001
	Consistent application of accounting policies		
9	Ready availability when needed	3.73	1.065
	Verifiability		
10	Easy-to-understand forms and terms	3.98	0.970
11	Easy-to-understand language	3.78	1.113
12		4.02	0.939
13		4.16	0.820

Table 2: Descriptive Statistics of the Quality of Financial Statements

Source: Processed primary data, 2021

According to the results in Table 2, the quality of financial reports variable gets an average value of 3.96, meaning that it is still inadequate but in the good category. The variable consists of six research dimensions where the lowest average dimension value is comparable (Comparability), namely in statement no. 9 is consistent in the application of accounting policies, meaning that the financial statements made by SMIs practitioners do not fully refer to the appropriate financial accounting standards of MSMEs and are consistent in their implementation. And the highest average value is in the relevant dimension, namely statement no. 2 has economic benefits, meaning that SMIs entrepreneurs realize that the preparation of quality financial reports is very beneficial for the continuity of their business because it has economic benefits and can be used as a reference for business decisions they make.

No		Mean	Std. Deviation
1	Rules to reduce employee fraud incentives	3.72	1.178
2	Rewarding for performance achievement	3.64	1.206
3	Integration of risk management into objectives	3.51	1.175
4	An organizational structure being in the context of internal and external control	3.54	1.167
5	The ability to provide financial reserves in case of natural disasters and changes in economic policies and government regulations	3.50	1.190
6	An increase in the cost of raw materials	3.49	1.072
7	An increase in the cost of goods sold	3.45	1.125
8	An increase in employee wages	3.57	1.052
9	The ability to carry out technical guidelines	3.36	1.075
10	The ability to pay product distribution costs through partner institutions	3.38	1.173
11	The ability to manage revolving funds	3.25	1.103

Table 3: Descriptive Statistics of Business Risk

Source: Processed primary data, 2021

Information regarding business risk is contained in Table 3. Based on the table above, the variable business risk had an average value of 3.47, which was still in the good category. However, this value was the lowest of all the variables, with the highest standard deviation of 1.128, meaning that the answers to the statements on the variable business risk varied a lot. This variable had three dimensions, of which the dimension operating and marketing risk had the lowest average, particularly in statement no. 11, which concerned the ability to manage revolving funds. This suggests that, on average, the SMI businesses were still at high risk in relation to business operations, and they especially had a weakness of human resources in managing funds and marketing. Meanwhile, the highest average value was in the dimension social, environmental, and compliance/reputation risk, to be exact in statement no. 1, which concerned rules to reduce employee fraud incentives. This means that most of the SMI businesses had carried out risk control in various ways, including by making rules that could detect employee fraud.

No		Mean	Std. Deviation
1	Good achievement/performance orientation	3.97	0.827
2	The ability to make decisions based on the right information	3.88	0.842
3	Knowledge related to the field of business/work/industry	3.81	0.904
4	Initiative	4.01	0.831
5	Practical skills/expertise	3.83	0.840
6	Oral and written communication skills	3.89	0.868
7	The ability to understand other people	4.07	0.854
8	The ability to adapt to various changing situations	4.03	0.772
9	Organizational commitment	3.81	0.949
10	The ability to build and maintain networks	4.01	0.860
11	The ability to work in a team	4.06	0.775
12	The ability to influence others	4.08	0.787
13	The ability to be a role model for group members	4.07	0.800

Table 4: Descriptive Statistics of Human Resource Competence

Source: Processed primary data, 2021

Information on human resource competence can be seen in Table 4. Based on the table above, the variable human resource competence had an average value of 3.97, which fell into the good category. This variable had three dimensions, of which the dimension intellectual competence had the lowest average value, particularly in statement no. 3, which concerned knowledge related to the field of business/work/industry. This means that, in general, the SMI entrepreneurs in West Jakarta had yet to be fully competent with regard to the industrial sector in which they were engaged. Meanwhile, the highest average value was found in the dimension social competence, to be precise in statement no. 12, which concerned the ability to influence others. This means that most of the SME businesses had good social skills, including the ability to influence others; in this case, they had the ability to motivate employees/coworkers to achieve business/sales targets.

B. Outer Model Test

- Convergent Validity

Variable	Indicators	Factor Loading	Result
Quality of Financial Reports (X1)	KLK-01	0.820	Valid
	KLK-02	0.838	Valid
	KLK-03	0.827	Valid
	KLK-04	0.770	Valid
	KLK-05	0.876	Valid
	KLK-06	0.930	Valid
	KLK-07	0.890	Valid
	KLK-08	0.933	Valid
	KLK-09	0.929	Valid
	KLK-10	1.000	Valid
	KLK-11	1.000	Valid
	KLK-12	0.936	Valid
	KLK-13	0.933	Valid
Business Risk (X2)	RU-01	0.917	Valid
	RU-02	0.920	Valid
	RU-03	0.870	Valid
	RU-04	0.900	Valid
	RU-05	0.910	Valid
	RU-06	0.936	Valid
	RU-07	0.953	Valid
	RU-08	0.935	Valid
	RU-09	0.885	Valid
	RU-10	0.929	Valid
	RU-11	0.844	Valid
Human Resources Competence (X3)	KSDM-01	0.789	Valid
	KSDM-02	0.809	Valid
	KSDM-03	0.767	Valid
	KSDM-04	0.824	Valid
	KSDM-05	0.847	Valid
	KSDM-06	0.862	Valid

Variable	Indicators	Factor Loading	Result
	KSDM-07	0.879	Valid
	KSDM-08	0.885	Valid
	KSDM-09	0.817	Valid
	KSDM-10	0.891	Valid
	KSDM-11	0.870	Valid
	KSDM-12	0.869	Valid
	KSDM-13	0.889	Valid
Business Sustainability (Y)	KU-01	0.922	Valid
	KU-02	0.904	Valid
	KU-03	0.769	Valid
	KU-04	0.767	Valid
	KU-05	0.810	Valid
	KU-06	0.928	Valid
	KU-07	0.848	Valid
	KU-08	0.846	Valid
	KU-09	0.883	Valid
	KU-10	0.831	Valid
	KU-11	0.874	Valid

Table 5: Factor Loadings

Source: SmartPLS output (2021)

The convergent validity of the model was then tested based on Average Variance Extracted (AVE) values. A model is said to be valid if the AVE value is more than 0.5.

	AVE
Quality of Financial Reports (X1)	0.662
Business Risk (X2)	0.751
Human Resources Competence (X3)	0.642
Business Sustainability (Y)	0.643

Table 6: Convergent Validity Test Result

Source: SmartPLS output (2021)

Table 6 shows that the variables quality of financial reports, business risk, human resource competence, and business sustainability met the requirement of AVE value > 0.5, indicating that the indicators used in the questionnaire for each of those variables in this study were valid.

- Reliablity Test

Variable and Dimension	Cronbach's Alpha	Composite Reliability
Quality of Financial Reports (X1)	0.957	0.962
Business Risk (X2)	0.966	0.971
Human Resources Competence (X3)	0.953	0.959
Business Sustainability (Y)	0.954	0.952

Tabel 7: Cronbach’s Alpha and Composite Reliability Values

Source: SmartPLS output (2021)

The results of the construct reliability test in this research showed that the composite reliability values and Cronbach’s alphas of all the latent variables were > 0.70 (see Table 7). Therefore, all the manifest variables in measuring the latent variables in the estimated model were declared reliable and the testing of the structural model (inner model) could be continued. It can be concluded that the construct had good reliability across all the variables (quality of financial statements, business risk, human resource competence, and business sustainability), meaning that the instrument used in this study was consistent and will produce the same data when used in multiple tests on the same object. The questions in the questionnaires were understandable, and they did not cause multiple interpretations (Sumito & Setiyawati, 2019).

Inner Model (Structural Model) Measurement

- R-Squared Test

Variable	R-Squared	R-Adjusted
Business Sustainability	0.573	0.562

Tabel 8. Summary of Model Goodness of Fit Results
Source: SmartPLS output (2021)

Table 8 shows an R2 value of 0.573. This means that 57.3% of the variance in business sustainability was influenced by the quality of financial statements, business risk, and human resource competence, while the remaining 42.7% was influenced by other fpractitioners not examined in this study.

- Hypotheses Testing

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
Quality of Fianancial Reports → Business Sustainability	0.589	0.583	0.085	6.908	0.000
Business Risk → Business Sustainability	-0.294	-0.295	0.081	3.643	0.000
Human Resources Competence → Business Sustainability	0.109	0.110	0.058	1.864	0.063

Tabel 9. Hypothesis Testing Results

Source: SmartPLS 3 output (2021) *5% significance level

The second step in inner model testing involved a t-test to test the research hypotheses through a bootstrapping procedure at a significance level of 95% (α = 0.05) or with t-table 1.96. Based on Table 10, the following were found: the quality of financial statements had a significant positive effect on business sustainability, suggesting that H1 should be accepted; business risk had a significant negative effect on business sustainability, suggesting that H2 should be accepted; and human resource competence had an insignificant positive effect on business sustainability, suggesting that H3 should be rejected.

V. DISCUSSION

A. *The Effect of the Quality of Financial Reports on Business Sustainability*

There is a positive and significant effect on the quality of financial reports on business sustainability. Financial reports for MSMEs are important accounting information to achieve business success. Companies that have accounting capabilities will produce quality information and will have quality business decisions. On the other hand, the lack of clarity in financial records causes MSMEs and SMIs to make wrong business decisions. This error in decision making has an impact on the business sustainability of MSMEs and SMIs. Good financial reporting is reporting in accordance with the accounting standards used (Yadiati & Mubarok, 2017:9). Making reports is important to know the performance of a business. Kasmir (2016:10-11) also added that one of the objectives of preparing financial statements is to provide information on the movements that occur in the company's assets, liabilities, and capital; provide information on the performance of the company's management; provide information regarding disclosure of financial statements; and other financial information. Information obtained from financial reports will later be able to provide an overview of the company's financial condition and performance so that it is possible to make the right decisions that are beneficial for business sustainability.

In relation to the Stakeholder theory where the entity must meet the interests of stakeholders, in general, SMIs business practitioners have responsibilities to stakeholders, in this case lenders (banks)/creditors where business practitioners have tried to provide information in the form of fairly good financial reports. Likewise with the interests of the government, good quality financial reports are of course very useful in calculating the amount of tax that must be paid by SMIs practitioners. This is consistent with Chakraborty's (2015) research that poor accounting practices have a serious negative impact on the growth and sustainability of SMIs. Ye & Kulathunga (2019) financial literacy is positively related to the sustainability of SMIs, Musah (2017) bookkeeping practices have a positive relationship with the growth and performance of SMEs in Ghana. Zada et al (2019) there is a strong and significant positive relationship between financial management practices and company growth, Ronald (2017) SMEs that implement SAK/IFRS perform better from a profitability perspective.

B. *The Effect of Business Risk on Business Sustainability*

There is a negative and significant effect of business risk on business sustainability. Mckellar, (2017:2) states that threats as well as opportunities are manifestations of this form of uncertainty called risk which if not maintained properly can become an obstacle to achieving organizational goals. The ability to detect the types of risks that exist in each business is required. The MSMEs and SMIs businesses, which are mostly family businesses, are one of the most problematic businesses in terms of risk management. The feeling of trust that forms the basis of the family business's management style, unprofessional management style, inadequate internal controls, for example, segregation of duties due to operating with a limited number of personnel, lack of capital, and other risks all make this business vulnerable to risk. (Kaya & Uzay, 2017). So the ability to control this risk is very important which will then have an effect on minimizing risk and having an effect on business sustainability.

Regarding the Stakeholder theory, not all business practitioners have prepared for social, environmental and compliance risks or those related to external parties. For example, they have not fully anticipated financial reserves in case of natural disasters, changes in economic policies and changes in government regulations. The government as a stakeholder of course wants its interests to be fulfilled, in terms of regulation. Meanwhile, natural disaster/other disaster reserve funds are very much needed by the workforce as well as the community around the business location if they are affected by a disaster due to the business they are running. For example the risk of fire, work accidents, damaged environment and so on. However, in the other two risk dimensions (liquidity and supply risk and operational and marketing risk) it is quite good in risk management. This is in line with Kaya & Uzay's research (2017) that risk has a significant effect on business sustainability, but is not consistent with the research of Dvorsky et al (2020) Perception of financial risk has a positive effect on financial performance, Galuh Oktavia & Trimeiningrum (2018) the courage to take risks positive effect on business success.

C. The Effect of Human Resources Competence on Business Sustainability

There is a positive and insignificant effect of Human Resources competence on business sustainability. Human Resources competence according to Busro (2018: 26) is everything that a person has in the form of skills as well as other individual internal fpractitioners to be able to complete a job with existing knowledge and skills. Competence according to Spencer & Spencer (1993) is classified into 3, namely intellectual competence, emotional competence and social competence. Intellectual competence is the character of attitudes and behavior and intellectual abilities of individuals. Ideally, all aspects of intellectual competence are needed in running a business. Both in the form of knowledge with a good educational background that supports the field of business or industry that is carried out, qualified skills both technical and practical and managerial, professional understanding in the business field, contextual understanding and analyzing the right information so that it is right in making decisions and the ability to process information.

Besides of course experience and intuition in running a business. It is not enough just to rely on good emotional and social skills. The fulfillment of human resources with complete competencies as above has not been fully fulfilled due to various limitations. In relation to the stakeholder theory, the SMIs practitioners in West Jakarta have not been fully able to provide support for the interests of their stakeholders. That is not able to provide good quality products according to market and customer demand. Not yet fully able to innovate with their products according to market demand. This of course will have an impact on the sustainability of the company. In this case, some of the respondents actually have good intellectual, emotional, and social competencies that support business sustainability. But in fact the results of this study indicate that the competence of human resources has no effect on business sustainability. Support from various parties is needed to upgrade the capacity of SMIs practitioners' resources. The government should continue to provide training and guidance to increase the carrying capacity and capacity of SMIs human resources, besides of course the ease of access to funding/capital. The results of this study are in line with Yanti (2018) which shows that the profile of business practitioners (age, non-formal education) has no significant and significant effect on business sustainability. et al., (2020) Human Resources competence has no significant effect on sustainable competitive advantage.

VI. CONCLUSION

It is empirically proven that the quality of financial reports has the most significant effect on business sustainability. The quality of financial reports has the greatest influence on business sustainability. This is because the information provided by financial statements is very much needed in management and business decisions. Business risk also has a major influence on business sustainability. The ability to understand risk, detect and control risk is an important thing that needs to be learned so that business sustainability remains stable.

Meanwhile, Human Resources competence has no significant influence on business sustainability. This is because most SMEs/SMIs are still use instinct and experience and have not fully explored their intellectual abilities in analyzing their business conditions. Intellectual competence which includes the character of attitudes and behavior or progress and individual intellectual abilities (can be in the form of knowledge, skills, professional understanding, contextual understanding, and others). Ideally, all aspects of intellectual competence are needed in running a business. Both in the form of knowledge with a good educational background that supports the field of business or industry that is carried out, qualified skills both technical and practical and managerial, professional understanding in the business field, contextual understanding, accounting and financial analysis skills, and the ability to analyze information so that it is appropriate in make decisions. Besides of course experience and intuition in running a business. However, all aspects of competence are still needed, not only intellectual competence but also emotional and social competence.

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