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Financial Transparency is Triggered by Capital Sources and the Reliability of Financial Records in MSMEs in Malang City

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ABSTRACT: This study analyzes the effect of capital sources and financial record reliability on financial transparency in the implementation of SAK EMKM in Malang City. Many MSMEs struggle with financial management, particularly in maintaining accurate records and ensuring transparency. Using a quantitative approach with a causal relationship method, data were collected from 125 MSME owners through questionnaires. The findings indicate that capital sources significantly influence financial transparency ($t = 3.453$, $p = 0.001$), as sufficient capital enables businesses to invest in structured financial systems. Additionally, financial record reliability has a stronger effect on transparency ($t = 5.765$, $p = 0.000$), ensuring accurate and consistent reporting. The combined impact of both variables is also significant ($F = 119.773$, $p = 0.000$, $R^2 = 0.663$), demonstrating that 66.3% of financial transparency variation is explained by these factors. These results align with prior research and highlight the need for capital support programs and financial literacy initiatives to enhance MSME financial governance. Policymakers should integrate financial aid with mandatory financial reporting training to improve compliance with SAK EMKM and strengthen MSME financial sustainability.

Keywords – Accounting, Capital Sources, Financial Record Reliability, Financial Transparency, MSMEs.

I. INTRODUCTION

1.1 BACKGROUND

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in Indonesia's economy, contributing about 61% to the national GDP (IDR 9,850 trillion) and employing over 97% of the workforce (Ikatan Akuntansi, 2024). Nationwide, the number of MSMEs has grown from 64.2 million units in 2022 to 65.5 million in 2023, with projections exceeding 65 million in 2024. In Malang City, this growth is even more pronounced, increasing from 6,983 units in 2021 to 29,058 units in 2023 (Dinas Koperasi, Perindustrian, dan Perdagangan Kota Malang, 2024). This robust expansion underscores the vital role MSMEs play in local economic development.

To support this growth, the adoption of the Financial Accounting Standards for MSMEs (SAK EMKM) is intended to enhance financial transparency and accountability through structured reporting. Previous research has shown that SAK EMKM helps standardize financial records (Anggraeni, Marlina, & Suwarno, 2021); however, many MSMEs continue to struggle with accurate financial reporting due to limited financial literacy, mixed personal and business finances, and inconsistent record-keeping (Rahmadani, Candra, & Amor, 2022; Salsabilla & Widodo, 2024). This gap in effective financial management highlights the need to further investigate how capital sources and the reliability of financial records contribute to achieving overall financial transparency.

In this context, capital sources are essential for MSMEs because adequate funding enables them to invest in technology and training, which in turn supports accurate financial management. Salim & Rahmadhani (2024) note that business capital positively impacts MSME income, although detailed indicators—such as the effects of business longevity and location—remain underexplored. A report from IDN Times (2024) further indicates that MSMEs in Malang still face significant challenges in accessing sufficient capital. Such capital constraints directly affect the reliability of financial records, which is crucial for building trust and achieving optimal financial transparency, as emphasized by Herawati (2024), CNBC (2022), and an Insights report.

Despite the potential benefits of SAK EMKM, significant challenges remain in its implementation in Malang City. Studies by Hernawati, Kuntorini, & Pramono (2020), Patmawati, Astriani, & Arimurti (2024), and Parhusip & Herawati (2020) reveal that many MSME owners have yet to adopt systematic financial reporting practices as mandated by SAK EMKM, indicating that reliable financial record-keeping is still lacking. The adverse effects of such shortcomings are evident in cases like PT Asuransi Jiwasraya (Persero), where profit manipulation and misreporting since 2006—exposed only in 2019—resulted in a state loss of IDR 16.8 trillion (BPK RI, 2020). Therefore, this study aims to examine the impact of capital sources (X1) and financial record reliability (X2) on financial transparency (Y) among MSMEs in Malang City, offering insights that can help improve financial governance and facilitate better access to funding.

1.2 Research Questions

1. Does the source capital influence financial transparency in the implementation of SAK EMKM in Malang City?
2. Does the reliability of financial records affect financial transparency in the implementation of SAK EMKM in Malang City?
3. Do capital sources and financial record reliability influence financial transparency in the implementation of SAK EMKM in Malang City?

1.3 Research Objectives

1. To analyze the significant influence of capital sources on financial transparency in the implementation of SAK EMKM in Malang City.
2. To examine the significant effect of financial record reliability on financial transparency in the implementation of SAK EMKM in Malang City.
3. To assess the combined impact of capital sources and financial record reliability on financial transparency in the implementation of SAK EMKM in Malang City.

II. LITERATURE REVIEW

2.1 Micro, Small, and Medium Enterprises (MSMEs)

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in Indonesia's economy. According to Sari, Yulianis, & Pamenan (2022), MSMEs significantly contribute to Gross Domestic Product (GDP) and employment absorption. Additionally, MSMEs serve as a key pillar in local economic growth, particularly in urban and rural areas. However, the main challenges MSMEs face include suboptimal financial management and limited adoption of applicable accounting standards.

The implementation of the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) is expected to enhance MSME transparency and accountability by enabling them to prepare more systematic and structured financial statements (Hernawati, Kuntorini, & Pramono, 2020). Nevertheless, many MSMEs have yet to implement these standards due to a lack of understanding and limited resources. Therefore, this study aims to explore how capital sources and financial record reliability influence the implementation of SAK EMKM in enhancing MSME financial transparency.

2.2 Implementation of SAK EMKM

The Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) are designed to assist MSMEs in preparing financial statements that are simpler, more informative, and in line with applicable accounting principles. According to Umami & Cania (2022), implementing SAK EMKM enables MSMEs to improve the accuracy of their financial records, thus facilitating better business decision-making. However, research by Hernawati, Kuntorini, & Pramono (2020) reveals that the majority of MSMEs still face difficulties in applying SAK EMKM, primarily due to insufficient socialization and awareness of the importance of standardized financial reporting.

One of the key factors contributing to the adoption of SAK EMKM is the availability of capital sources and the reliability of financial records. MSMEs with adequate capital sources tend to implement better accounting systems aligned with regulatory standards (Salim & Rahmadhani, 2024). Therefore, this study will further examine the relationship between capital sources and financial record reliability concerning MSME financial transparency in the context of SAK EMKM implementation.

2.3 Capital Sources

Capital sources are a crucial element in the sustainability of MSMEs. According to Salim & Rahmadhani (2024), three primary capital sources for businesses include self-financing, loans, and retained earnings:

1. Self-Financing: Capital obtained from the business owner's personal funds without any repayment obligation. This is commonly used for operational expenses and business expansion.
2. Loans: Capital acquired from external parties such as banks, family, or friends, which must be repaid within a specified period with agreed-upon interest.
3. Retained Earnings: Profits generated from business operations that are not distributed as dividends but reinvested in business expansion or productive asset acquisition.

Pesik (2023) highlights that having sufficient capital allows MSMEs to invest in better accounting systems, improving financial transparency and accountability. Thus, capital sources play a crucial role in enabling MSMEs to comply with applicable accounting standards.

2.4 Financial Record Reliability

Financial record reliability refers to the extent to which financial statements can be trusted and reflect actual financial conditions. According to Herawati (2024), two main indicators determine financial record reliability.

Recording Accuracy:

1. Financial records must accurately reflect the company's actual financial condition.
2. Transactions should be categorized appropriately according to financial statement items.

The use of accounting software such as Excel, MYOB, or cloud-based applications like Jurnal can enhance recording accuracy and minimize human error.

Data and Archive Availability:

1. Each transaction must have clear supporting documentation, such as invoices, receipts, or transfer records.
2. A well-organized filing system ensures the credibility of financial statements and facilitates verification processes.

Hernawati, Kuntorini, & Pramono (2020) emphasize that reliable financial records are critical for informed business decision-making and improving MSMEs' access to external financing. Therefore, this study will explore in greater depth how financial record reliability contributes to enhancing MSME financial transparency.

2.5 Financial Transparency

Financial transparency refers to the openness of financial information that can be accessed and understood by stakeholders. According to the Indonesian Institute of Accountants (2024), high financial transparency enhances trust among investors and financial institutions. Key indicators of financial transparency include:

1. Accurate Financial Statement Presentation: Every financial transaction must be properly recorded and supported by valid documentation.
2. Consistency in Financial Recording: Financial statements should be prepared using the same methods over time to facilitate analysis.
3. Proper Storage of Financial Documents: All financial transactions must be well-documented to ensure verification and auditing processes are efficient.

Research conducted by Hernawati, Kuntorini, & Pramono (2020) indicates that good financial transparency can help MSMEs gain greater trust from financial institutions, increasing their chances of obtaining funding for business development. Additionally, Pradita, Hartono, & Mustoffa (2019) found that financial transparency positively correlates with business performance, with more transparent enterprises tending to have higher profitability.

2.6 Previous Research

Several prior studies have explored the relationship between capital sources, financial record reliability, and financial transparency in various contexts. Key references for this research include:

1. Salim & Rahmadhani (2024): Examined the impact of business capital on MSME performance, concluding that sufficient capital increases business growth opportunities.
2. Herawati (2024): Investigated financial transparency and record reliability in MSMEs, finding that accounting software usage enhances financial reporting accuracy.
3. Hernawati, Kuntorini, & Pramono (2020): Studied SAK EMKM implementation and identified a lack of accounting knowledge as the main barrier to financial transparency improvement among MSMEs.

Based on previous research, this study aims to bridge the gap by exploring the relationship between capital sources and financial record reliability in enhancing financial transparency in the implementation of

SAK EMKM in Malang City. This research is expected to contribute to academic literature while providing practical recommendations for MSME practitioners in managing their finances more effectively.

2.7 Hypothesis Development

This study investigates the impact of capital sources and financial record reliability on financial transparency in MSMEs implementing SAK EMKM in Malang City. It proposes three hypotheses:

1. H1: Capital sources significantly influence financial transparency.
2. H2: Financial record reliability significantly influences financial transparency.
3. H3: Capital sources and financial record reliability simultaneously and significantly influence financial transparency.

2.7.1 The Influence of Business Capital on Financial Transparency

Business capital is a crucial element that affects financial transparency, especially in micro, small, and medium enterprises (MSMEs). In this context, business capital not only includes available funds but also assets and resources used for business operations. Research by Sari & Irawati (2021) indicates that sufficient capital enables MSMEs to invest in proper accounting systems and transparent financial management practices. Adequate capital also supports the development of production capacity and marketing, contributing to increased revenue, which in turn enhances financial transparency. Their study found that capital sources significantly influence financial transparency. Additionally, Setiawati & Utomo (2024) noted inconsistencies in factors affecting transparency during economic crises and stable periods, particularly regarding budgeting, fiscal pressure, capital expenditure, and equity financing. Their study also confirmed that capital sources impact financial transparency. Based on previous research, so from these two studies I will confirm again whether the source of capital has an effect on transparency, the following hypothesis is formulated:

H1: Capital sources significantly influence financial transparency in the implementation of SAK EMKM in Malang City.

2.7.2 The Influence of Financial Record Reliability on Financial Transparency

Financial record reliability is a key factor in determining an entity's financial transparency. In financial reporting, reliability refers to the accuracy and consistency of information, which is essential for stakeholders to make informed decisions. Research by Herawati (2024) shows that utilizing information technology improves financial report reliability, which in turn contributes to financial transparency. Their study concluded that the two variables are simultaneously related. Similarly, findings by Ricky, Haryadi & Leon (2024) indicate that performance-based budgeting and budget transparency influence financial report reliability. Previous research generally considered financial record reliability and financial transparency as independent variables. This study aims to examine how financial record reliability (as an independent variable) affects financial transparency (as a dependent variable). Based on prior studies, the following hypothesis is proposed:

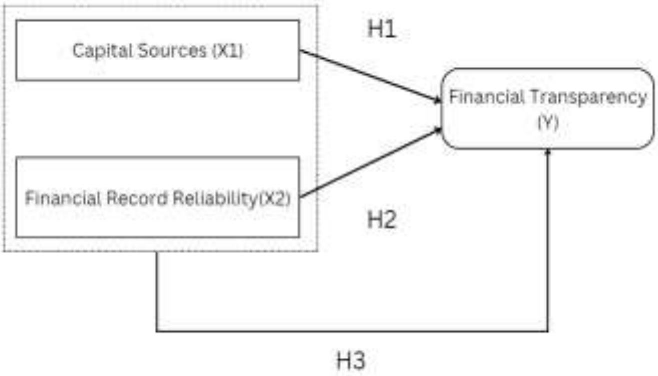
H2: Financial record reliability significantly influences financial transparency in the implementation of SAK EMKM in Malang City.

2.7.3 The Influence of Business Capital and Financial Record Reliability on Financial Transparency

Business capital and financial record reliability are interrelated in improving financial transparency. Adequate business capital enables MSMEs to invest in sound accounting systems, while financial record reliability ensures the accuracy and consistency of presented information. Research suggests that these two factors contribute spatially to financial transparency, where an improvement in one factor can amplify the overall impact. However, no prior research has explicitly combined business capital and financial record reliability in a single model to assess financial transparency. Most previous studies have only examined each factor separately. Therefore, this study hypothesizes that the simultaneous relationship between these two variables has a more significant impact than studying them individually. Based on previous research, the following hypothesis is formulated:

H3: Business capital and financial record reliability simultaneously and significantly influence financial transparency in the implementation of SAK EMKM in Malang City.

2.8 Conceptual Framework



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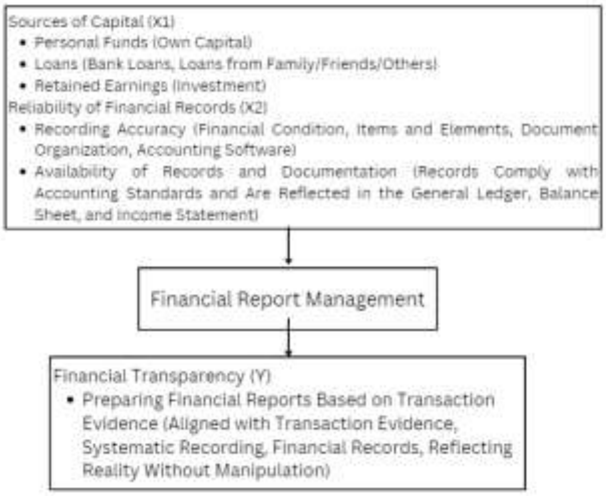

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In this study, the independent variables (X1) are capital sources, and (X2) is financial record reliability. The study aims to determine whether these two independent variables impact financial transparency (Y) in Malang City. The research examines whether capital sources and financial record reliability influence financial transparency, which is one of the key indicators of SAK EMKM implementation. In other words, improving capital sources and financial record reliability is expected to enhance the effectiveness of SAK EMKM implementation, leading to greater financial transparency among MSMEs in the region.

The research model illustrates the relationship between variables, depicting how capital sources and financial record reliability influence financial transparency. Hypothesis H1 suggests that capital sources have a partial effect on financial transparency, while H2 indicates that financial record reliability also has a partial effect. Additionally, H3 posits that both independent variables interact and contribute significantly to financial transparency. This model aims to provide a clearer understanding of how these factors are interconnected and how they contribute to improving financial transparency among MSMEs in Malang City.

III. RESEARCH METHODOLOGY

This study employs a quantitative approach with a causal research design to examine the impact of capital sources and financial record reliability on financial transparency among MSMEs in Malang City. According to Sugiyono (2023), causal research aims to determine whether and how independent variables influence dependent variables.

3.1 Population and Sampling

The research targets MSMEs in Malang City, specifically those implementing SAK EMKM (Financial Accounting Standards for MSMEs) in their financial reporting. A purposive sampling technique was applied, selecting MSMEs that met the following criteria:

1. Operational for at least one year,
2. Implementing SAK EMKM in financial records, and
3. Willing to participate by responding to the survey.

From a total 29,058 MSMEs recorded in Badan Pusat Statistik Kota Malang (2024), a sample of 125 MSMEs was selected, ensuring representation of various business sectors.

$$n = \frac{N}{1 + N \,.\, e^2}$$

$$n = \frac{29.058}{291.64}$$

$$n = 99.64$$

Source: Majdina, Pratikno, & Tripena (2024)

Since the calculated sample size is approximately 100, the researcher decided to use a sample of 125 MSMEs. This increase accounts for possible non-responses and ensures a more representative selection of respondents who meet the required criteria. By employing purposive sampling, the study guarantees that the chosen sample is relevant and provides meaningful insights into the implementation of SAK EMKM in MSME financial reporting.

3.2 Data Collection and Analysis

Primary data was gathered using structured questionnaires, distributed both directly and online (Google Forms). In addition to the questionnaire, the researcher also conducted direct observations and informal interviews by asking spontaneous questions to MSME owners regarding their financial practices. This approach provided deeper insights and verified the accuracy of responses.

The collected data was analyzed using statistical methods to examine relationships between variables and test hypotheses. The results are expected to provide empirical insights into how financial management practices impact transparency in MSMEs, contributing to better financial governance and policy recommendations for MSMEs in Indonesia.

3.3 Instrument Testing

3.3.1 Validity Test

The validity test assesses the extent to which a measurement instrument or questionnaire used in the study can measure the intended variable. This test ensures that the questionnaire truly measures what it is supposed to measure. The decision regarding validity is based on the significance value; if the significance value is less than 0.05, the questionnaire item is considered valid. Conversely, if the significance value is greater than 0.05, the question is deemed invalid.

3.3.2 Reliability Test

The reliability test evaluates the consistency and dependability of a measurement instrument or questionnaire. This test ensures that the instrument provides stable and consistent results when used repeatedly. In this study, reliability testing was conducted using the Cronbach's Alpha formula, which is appropriate for surveys and scaled instruments. The decision regarding reliability is based on the Cronbach's Alpha value; if the value exceeds 0.6, the questionnaire is considered reliable.

3.4 Classical Assumption Tests

3.4.1 Heteroscedasticity Test

The heteroscedasticity test identifies whether there is inequality in residual variance across regression models. Heteroscedasticity occurs when residual variance is not constant across different values of the independent variable. If the homoscedasticity assumption (constant residual variance) is not met, regression parameter estimates become inefficient, leading to biased conclusions. Several methods for detecting heteroscedasticity include:

1. Residual Histogram – Observes the error distribution pattern; a normal bell-shaped histogram suggests no heteroscedasticity.
2. Scatterplot – If the points in the scatterplot are randomly distributed, heteroscedasticity is unlikely. However, if a fan-shaped pattern appears, it indicates heteroscedasticity.

3.4.2 Autocorrelation Test

Autocorrelation occurs when residuals in a regression model are correlated with one another in a time sequence or specific observations. This often appears in time-series data and can result in invalid estimation results. Common methods to detect autocorrelation include:

- Durbin-Watson (DW) Test
- DW value ≈ 2: No autocorrelation
- DW value ≈ 0: Positive autocorrelation
- DW value ≈ 4: Negative autocorrelation
- Breusch-Godfrey (BG) Test – More flexible than the DW test and can detect higher-order autocorrelation.

- Autocorrelation Function (ACF) Plot – Displays residual correlation at different lags; significant patterns indicate autocorrelation.

3.4.3 MULTICOLLINEARITY TEST

Multicollinearity occurs when two or more independent variables in a regression model have a strong correlation, leading to unstable regression coefficient estimates and reduced model accuracy. Methods for detecting multicollinearity include:

1. Variance Inflation Factor (VIF) – A VIF value greater than 10 suggests high multicollinearity.
2. Tolerance Value – The inverse of VIF (1/VIF), with a tolerance value below 0.1 indicating multicollinearity.

3.5 REGRESSION EQUATION

The multiple linear regression equation used in this study follows the general formula:

$$Y = \beta 0 + \beta 1.X1 + \beta 2.X2 + \epsilon$$

Source: Sugiyono (2024)

Where:
Y = Financial Transparency (Dependent Variable)
β_0 = Intercept (Constant)
β_1, β_2 = Regression Coefficients for Independent Variables
X_1 = Capital Sources (Independent Variable 1)
X_2 = Reliability of Financial Records (Independent Variable 2)
ε = Error Term

The regression coefficients (β_1 and β_2) indicate the extent to which the independent variables affect the dependent variable. A positive coefficient suggests a direct relationship, while a negative coefficient suggests an inverse relationship. The error term (ε) accounts for variability in Y that cannot be explained by X_1 and X_2. The significance of this model is evaluated using the F-test to determine overall model fit and the T-test to assess the significance of individual predictors. Additionally, the coefficient of determination (R^2) measures the proportion of variance in Y explained by the independent variables.

IV. RESULTS AND DISCUSSIONS

4.1 INSTRUMENT TESTING

4.1.1 VALIDITY AND RELIABILITY TEST

Correlations

		X1.1	X1.2	X1.3	X1.4	Capital Sources	
X1.1	Pearson Correlation	1	.634	.539	.617	.835	
	Sig. (2-tailed)		0,000	0,000	0,000	0,000	
	N	125	125	125	125	125	
X1.2	Pearson Correlation	.634	1	.501	.558	.800	
	Sig. (2-tailed)	0,000		0,000	0,000	0,000	
	N	125	125	125	125	125	
X1.3	Pearson Correlation	.539	.501	1	.679	.834	
	Sig. (2-tailed)	0,000	0,000		0,000	0,000	
	N	125	125	125	125	125	
X1.4	Pearson Correlation	.617	.558	.679	1	.855	
	Sig. (2-tailed)	0,000	0,000	0,000		0,000	
	N	125	125	125	125	125	
Capital Sources	Pearson Correlation	.835	.800	.834	.855	1	
	Sig. (2-tailed)	0,000	0,000	0,000	0,000		
	N	125	125	125	125	125	

		X2.1	X2.2	X2.3	X2.4	X2.5	Reliability of Financial Records
X2.1	Pearson Correlation	1	.567	.588	.549	.559	.799
	Sig. (2-tailed)		0,000	0,000	0,000	0,000	0,000
	N	125	125	125	125	125	125
X2.2	Pearson Correlation	.567	1	.624	.657	.619	.841
	Sig. (2-tailed)	0,000		0,000	0,000	0,000	0,000
	N	125	125	125	125	125	125
X2.3	Pearson Correlation	.588	.624	1	.633	.694	.850
	Sig. (2-tailed)	0,000	0,000		0,000	0,000	0,000
	N	125	125	125	125	125	125
X2.4	Pearson Correlation	.549	.657	.633	1	.550	.817
	Sig. (2-tailed)	0,000	0,000	0,000		0,000	0,000
	N	125	125	125	125	125	125
X2.5	Pearson Correlation	.559	.619	.694	.550	1	.826
	Sig. (2-tailed)	0,000	0,000	0,000	0,000		0,000
	N	125	125	125	125	125	125
Reliability of Financial Records	Pearson Correlation	.799	.841	.850	.817	.826	1
	Sig. (2-tailed)	0,000	0,000	0,000	0,000	0,000	
	N	125	125	125	125	125	125
		Y.1	Y.2	Y.3	Y.4	Financial Transparency	
Y.1	Pearson Correlation	1	.695	.671	.560	.857	
	Sig. (2-tailed)		.000	.000	.000	.000	
	N	125	125	125	125	125	
Y.2	Pearson Correlation	.695	1	.573	.621	.841	
	Sig. (2-tailed)	.000		.000	.000	.000	
	N	125	125	125	125	125	
Y.3	Pearson Correlation	.671	.573	1	.718	.872	
	Sig. (2-tailed)	.000	.000		.000	.000	
	N	125	125	125	125	125	
Y.4	Pearson Correlation	.560	.621	.718	1	.847	
	Sig. (2-tailed)	.000	.000	.000		.000	
	N	125	125	125	125	125	
Financial Transparency	Pearson Correlation	.857	.841	.872	.847	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	125	125	125	125	125	

Source: Data processed by the author

The validity test results indicate that all research instruments meet the validity criteria, with factor loading values exceeding the required threshold of 0.5 and a significance level below 0.05. The results indicate strong and significant relationships between the independent variables Capital Sources, Reliability of Financial Records and the dependent variable Financial Transparency. The high correlation values suggest that capital sources Capital Sources and financial record reliability Reliability of Financial Records positively influence financial transparency Financial Transparency. Since all Sig. values are below 0.05, we can conclude that the research instruments used are valid and statistically reliable.

Reliability Statistics

Cronbach's Alpha	N of Items	Variable
0,848	4	Capital Sources
0,882	5	Reliability of Financial Records
0,876	4	Financial Transparency

Source: Data processed by the author

The reliability test also confirms that the research variables are reliable, with a Cronbach's Alpha value of 0.848 for Capital Sources, 0,882 Reliability of Financial Records, 0,876 Financial Transparency ensuring the reliability.

4.2 Classical Assumption Tests

4.2.1 Normality Test

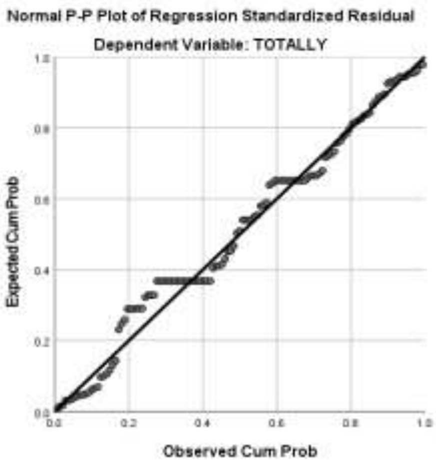
The normality test using Kolmogorov-Smirnov shows a significance value of 0.150, which is greater than 0.05. This indicates that the residuals are normally distributed. Additionally, the histogram visualization and Normal P-P Plot show a pattern that closely follows the diagonal line, confirming that the normality assumption is met.

One-Sample Kolmogorov-Smirnov Test

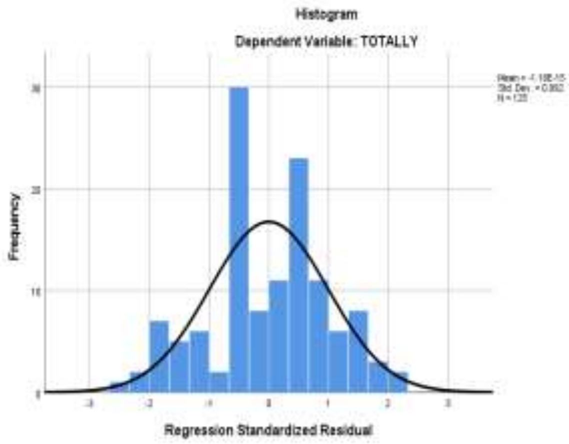
			Unstandardized Residual
N			125
Normal Parameters[a,b]	Mean		0,0000000
	Std. Deviation		1,67793094
Most Extreme Differences	Absolute		0,100
	Positive		0,060
	Negative		-0,100
Test Statistic			0,100
Asymp. Sig. (2-tailed)			.004[c]
Monte Carlo Sig. (2-tailed)	Sig.		.150[d]
	99% Confidence Interval	Lower Bound	0,141
		Upper Bound	0,159

Source: Data processed by the author

4.2.2 Heteroscedasticity Test



Source: Data processed by the author



Source: Data processed by the author

The heteroscedasticity test was conducted using a histogram and scatterplot, scatterplot which shows that the residual points are randomly dispersed and do not form a specific pattern, and then for the histogram results the line curves normally followed by high data. So this indicates the absence of heteroscedasticity in the model. Thus, the regression model can be used for further analysis as the residual variance remains constant.

4.2.3 Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.814[a]	0,663	0,657	1,535	0,663	119,773	2	122	0,000	1,899

Source: Data processed by the author

The autocorrelation test using Durbin-Watson resulted in a value of 1.899. The Durbin-Watson range for detecting autocorrelation is as follows:

1. d < dL → Positive autocorrelation exists
2. dU < d < 4 - dU → No autocorrelation
3. 4 - dL < d < 4 → Negative autocorrelation exists

Since the Durbin-Watson value is 1.899, which falls within the range dU < d < 4 - dU, it can be concluded that there is no autocorrelation in the regression model.

4.2.4 Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	*t*	Sig.	95,0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	3,015	0,884		3,411	0,001	1,265	4,765					
	Capital Sources	0,317	0,092	0,319	3,453	0,001	0,135	0,499	0,755	0,298	0,182	0,325	3,077
	Reliability of Financial Records	0,395	0,068	0,532	5,765	0,000	0,259	0,530	0,793	0,463	0,303	0,325	3,077

Source: Data processed by the author

The multicollinearity test was conducted by examining the Variance Inflation Factor (VIF) and Tolerance values. The results indicate that the independent variables have a VIF of 3.077 and a Tolerance of 0.325. The criteria for assessing multicollinearity are:

1. VIF < 10 and Tolerance > 0.1 → No multicollinearity
2. VIF > 10 or Tolerance < 0.1 → High multicollinearity exists

Since the values VIF = 3.077 and Tolerance = 0.325 meet the criteria, it can be concluded that there is no multicollinearity issue in the regression model.

4.5 Regression Equation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95,0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	3,015	0,884		3,411	0,001	1,265	4,765					
	Capital Sources	0,317	0,092	0,319	3,453	0,001	0,135	0,499	0,755	0,298	0,182	0,325	3,077
	Reliability of Financial Records	0,395	0,068	0,532	5,765	0,000	0,259	0,530	0,793	0,463	0,303	0,325	3,077

Source: Data processed by the author

The regression equation obtained from the analysis is:

$$Y = 3.015 + 0.317X1 + 0.395X2$$

where:

1. Y represents the dependent variable (financial transparency),
2. X1 represents capital sources,
3. X2 represents the reliability of financial records.

Hypothesis Testing

1. T-Test (Partial Significance Test)
2. X1 (Capital Sources): t = 3.453, Sig. < 0.001 (Significant)
3. X2 (Financial Record Reliability): t = 5.765, Sig. < 0.001 (Significant)

Both variables have a significance value less than 0.05, indicating a significant individual effect on financial transparency.

4.6 F-Test (Simultaneous Significance Test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	564,576	2	282,288	119,773	.000[b]
	Residual	287,536	122	2,357		
	Total	852,112	124			

Source: Data processed by the author

1. The F-test (ANOVA) results indicate that the regression model is statistically significant in explaining variations in Financial Transparency. The F-value of 119.773 with a p-value < 0.001 suggests that Capital Sources and Reliability of Financial Records together have a significant simultaneous effect on Financial Transparency.
2. The Regression Sum of Squares (564.576) is much larger than the Residual Sum of Squares (287.536), indicating that a substantial proportion of variability in Financial Transparency is explained by the

independent variables. The Mean Square for regression (282.288) is significantly higher than for residuals (2.357), further confirming the model's explanatory power.

3. Since **p < 0.05**, the null hypothesis (that Capital Sources and Reliability of Financial Records have no effect on Financial Transparency) is rejected, confirming that these variables significantly influence transparency when considered together.

4.7 Interpretation of t-Test (Partial Significance Test)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95,0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	3,015	0,884		3,411	0,001	1,265	4,765					
	Capital Sources	0,317	0,092	0,319	3,453	0,001	0,135	0,499	0,755	0,298	0,182	0,325	3,077
	Reliability of Financial Records	0,395	0,068	0,532	5,765	0,000	0,259	0,530	0,793	0,463	0,303	0,325	3,077

Source: Data processed by the author

The t-test results show that both Capital Sources (t = 3.453, p = 0.001) and Reliability of Financial Records (t = 5.765, p = 0.000) have a significant positive effect on Financial Transparency ($p < 0.05$). The Reliability of Financial Records has a stronger influence (B = 0.395, Beta = 0.532) compared to Capital Sources (B = 0.317, Beta = 0.319), indicating that maintaining accurate and consistent financial records plays a more dominant role in enhancing financial transparency.

4.8 Coefficient of Determination (R Square - R^2):

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.814[a]	0,663	0,657	1,535	0,663	119,773	2	122	0,000	1,899

Source: Data processed by the author

The R Square (R^2) value of 0.663 indicates that 66.3% of the variation in Financial Transparency can be explained by the independent variables, namely Reliability of Financial Records and Capital Sources. Meanwhile, the remaining 33.7% is influenced by other factors that are not included in this model.

The Adjusted R Square (0.657) is slightly lower than R^2, suggesting that the model remains strong and does not suffer from overfitting, even after adjusting for the number of predictors. Overall, this model demonstrates good predictive capability, as more than half of the variation in Financial Transparency can be explained by the examined factors.

4.9 Discussion

The results of this study indicate that business capital significantly influences financial transparency, as shown by a t-value of 3.453 and a significance level (p-value) of 0.001, supporting H1. This finding aligns with Sari & Irawati (2021), who state that sufficient capital enables MSMEs to invest in structured financial management systems, thereby improving transparency. Setiawati & Utomo (2024) also emphasize that capital availability plays a crucial role in ensuring financial transparency, especially during economic instability. Furthermore, Salim & Rahmadhani (2024) found that capital positively impacts MSME financial reporting, while Pesik (2023) highlights that capital investment in financial software enhances transparency. Given these results, increasing MSMEs' access to funding through simplified loan processes and financial training programs could improve transparency and compliance with SAK EMKM standards.

The study confirms that financial record reliability has a significant positive effect on financial transparency, with a t-value of 5.765 and a p-value of 0.000, supporting H2. This result is in line with Herawati (2024), who found that digital accounting systems improve financial record reliability and transparency, and Ricky, Haryadi, & Leon (2024), who demonstrated that performance-based budgeting contributes to financial statement accuracy. While previous research mainly treated financial record reliability as an independent factor for financial performance, this study establishes its direct influence on transparency. MSMEs that maintain consistent and accurate records are more likely to comply with financial regulations, reducing the risk of financial mismanagement. Thus, promoting the adoption of digital accounting solutions and increasing financial literacy through training initiatives are essential steps toward enhancing financial transparency in MSMEs.

The combined effect of business capital and financial record reliability on financial transparency was found to be significant, with an F-value of 119.773 and a p-value of 0.000, supporting H3. Unlike previous studies that examined these factors separately, this research demonstrates that their simultaneous impact is stronger, as seen in the coefficient of determination ($R^2 = 0.663$), meaning 66.3% of financial transparency variance is explained by these variables. This finding expands on Hernawati, Kuntorini, & Pramono (2020), who noted that MSMEs struggle with financial reporting due to insufficient capital and inconsistent records. The results suggest that MSMEs with stable capital and reliable records achieve better financial governance and transparency, which aligns with financial reporting standards. To enhance financial transparency, MSMEs should receive capital assistance tied to mandatory financial reporting requirements, ensuring that financial management practices improve alongside increased funding.

V. CONCLUSION

5.1 Summary

This study examines the impact of capital sources and financial record reliability on financial transparency among MSMEs in Malang City, with a focus on the implementation of SAK EMKM. The findings confirm that both variables significantly influence financial transparency, with financial record reliability playing a more dominant role. Proper financial record-keeping ensures accuracy, consistency, and accessibility of financial data, which strengthens financial transparency and fosters trust among stakeholders. Meanwhile, sufficient capital sources enable MSMEs to adopt better financial management practices, further supporting transparency efforts. The study highlights the importance of structured financial reporting in improving MSME governance and access to external funding. This study confirms that capital sources and financial record reliability significantly affect financial transparency in MSMEs implementing SAK EMKM. Capital sources positively impact transparency ($t = 3.453$, $p = 0.001$), as sufficient funding enables better financial management. Financial record reliability has a stronger effect ($t = 5.765$, $p = 0.000$), ensuring accuracy and compliance in reporting. The combined impact of both variables is significant ($F = 119.773$, $p = 0.000$, $R^2 = 0.663$), explaining 66.3% of financial transparency variance. These findings highlight the importance of financial access and literacy in enhancing MSME governance and compliance with SAK EMKM.

5.2 Limitations

Despite its contributions, this study has several limitations:

1. The research model explains only 66.3% of the variation in financial transparency, meaning 33.7% is influenced by other factors not included in this study, such as financial literacy, regulatory compliance, and business size.
2. The study focuses solely on MSMEs in Malang City, limiting the generalizability of the findings to other regions with different economic conditions and business environments.
3. The reliance on survey responses may introduce bias, as MSME owners might overstate their financial transparency practices or misunderstand certain financial terms.
4. While quantitative methods provide statistical significance, a deeper qualitative analysis (e.g., in-depth interviews) could offer richer insights into the challenges MSMEs face in financial reporting.

5.3 Recommendations

1. MSMEs should be encouraged to maintain more structured and consistent financial records by implementing simple accounting systems tailored to their needs.
2. Financial institutions and government programs should provide more accessible funding options with financial management assistance to help MSMEs comply with financial transparency requirements.
3. Future research could explore additional factors influencing financial transparency, such as the role of financial literacy, tax compliance, and digital financial tools, across a broader range of MSMEs in different regions.
4. Future studies should incorporate qualitative methods, such as interviews or case studies, to gain a deeper understanding of the challenges and motivations behind financial transparency practices among MSMEs.

These recommendations aim to support MSMEs in strengthening financial governance, ensuring regulatory compliance, and improving long-term business sustainability.

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