



The effect of Knowledge, Perceived Usefulness and Social Norms on Intention to Prepare Integrated Reporting in SMEs

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ABSTRACT

The objective of the paper is to explore the influence of knowledge on an intention to prepare Integrated Reporting (IR), with social norms as the moderating variable and perceived usefulness as the mediating variable. This study used a questionnaire survey to collect data from some SME owners. Before filling out the questionnaire, the SME owners were given training on Integrated Reporting. The sampling technique used is quota sampling. This study was conducted in four cities located in East Java Province. In each of these cities, thirty SME owners were chosen as respondents to be included in the IR training. In total, there were one-hundred, and twenty (120) SME owners participated in this study. Overall, the results indicated that (1) IR knowledge does not affect the intention to prepare IR; (2) IR knowledge significantly affects perceived usefulness; (3) Perceived usefulness significantly affects the intention to develop IR; (4) Perceived usefulness mediates the relationship between IR knowledge and intention to prepare IR; and (5) Social norms moderate relationship between IR knowledge and intention to prepare IR. This paper adds empirical research on the application of IR in SMEs, which is still rarely studied. The practical implication of this study emphasizes the importance of the government or professional institutions to develop an IR standard for SMEs.

Keywords: Integrated Reporting, SME, perceived usefulness, social norms, knowledge.

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1. Introduction

In recent years the awareness of the business community and stakeholders in connection with the importance of business reporting has increased. Companies usually only present financial statements. However, financial statements are considered unable to show a comprehensive picture of a company. In recent years companies have begun to present non-financial information related to the impact of the operation of a specific business on the community and the environment in which the company operates. The company's objective is not only to generate profits but also includes being

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responsible for environmental preservation and improving the social welfare of the community (Thomsen, 2013; Clayton et al., 2015). A company is an independent entity that is responsible not only to shareholders but also to stakeholders. So far, non-financial reporting has only been carried out by large companies, but recent research shows that non-financial reporting has even begun to be presented by SMEs (Massa et al., 2015; Hasan, 2016; Baldo, 2017). Reports that combine financial and non-financial information in one statement are called integrated reporting (Ernst & Young, 2012; de Villiers & Maroun, 2017)

Integrated reporting (IR) has become an essential feature of internal and external reporting, which can be presented by all companies, both large companies and SMEs. All companies strive to achieve sustainability and protect its resources for future generations. Companies incorporate financial information and non-financial information in connection with their environment, social, and governance into IR (Camilleri, 2018). IR connects several types of resources, such as; financial, physical, and intangible assets. The intangible assets include social and intellectual capital and environmental, social and governance parameters, significant quantitative and qualitative performance and risk indicators, business strategies, and performance (De Villiers et al., 2014; Stubbs & Higgins, 2014). The relevance of IR for SMEs is to improve relationships with stakeholders (including the financial community); and enhance the reputation and growth of the company through value creation (CIMA, 2015). Through an organization's business model, which takes inputs from the capitals and transforms them through business activities and interactions to produce outputs and outcomes which, over the short, medium and long term, create or destroy value for the organization, its stakeholders, society and the environment is where the value is created (IIRC, 2013).

A critical stage in the process of presenting Integrated Reporting (IR) is stakeholder engagement, which is to identify and categorize the stakeholders to meet their needs and expectations. A stakeholder engagement process can serve as a tool to understand the fair expectations and interests of stakeholders, as well as their non-financial information needs. Stakeholder engagement has emerged as an essential tool for understanding the reasonable expectations and interests of different stakeholders (Ayuso et al., 2011; Ihugba, 2012; Kaur & Lodia, 2014; Kaur & Lodia, 2018; Ferrero et al., 2018). Stakeholder engagement facilitates organizations to recognize stakeholders' information demands regarding content, form, and media in order to prepare a sustainability report that meets their specific needs (Isenmann & Kim, 2006). Stakeholder engagement is increasingly recognized as a crucial element of IR (Manetti, 2011). There is a range of media that can be used for engaging stakeholders in activities. These media include questionnaires, telephone, interviews, public meetings, round table discussions, community forums, seminars, conferences and workshops, and briefing sessions (Cummings, 2001; Belal, 2002; Thomson & Bebbington, 2005). Nevertheless, the selection of the appropriate engagement method is dependent upon the size, geographical location, resource availability, and nature of stakeholders to be involved (Gao & Zhang, 2001; Belal, 2002).

The increasing interest of the company towards IR has encouraged researchers to study various components of IR, for example: materiality judgement (Green & Cheng, 2018), forward-looking disclosures (Kılıç & Kuzey, 2018), information quality (Du Toit et al., 2017), decision usefulness (Slack & Tsalavoutas, 2018), IR at universities (Brusca et al., 2018), role of preparers (Lai et al., 2018). Research on non-financial information at SMEs is still focused on sustainability reporting (e.g., Hasan, 2016; Massa et al., 2015), and only a few studies IR in SMEs (Baldo, 2017; Kaya & Türegün, 2014).

Although there have been many studies that investigate various aspects of IR, there is no empirical research that was conducted to test the variables that affect the intention to use IR. This research tries to apply Theory Acceptance Model (TAM) in the implementation of IR for SMEs. TAM is the most influential most used technology acceptance model (Wang et al., 2003; Legris, Ingham, & Collette, 2003; Akour & Dwairi, 2011; Patwardhan & Dhume, 2014; Wahdain & Zakaria, 2014; Koç & Okursoy, 2016). The technology acceptance model (TAM) suggests that perceived usefulness influence an individual's intention (Davis et al., 1989; Pillai & Mukherjee, 2011; Wang & Lin, 2012; Park & Kim, 2013; Wong et al., 2013; Ooi & Tan, 2016). The variables investigated in this study were perceived usefulness & intention from the original TAM and subjective norm from the extended TAM2. Therefore, the main aim of this study is to extend the TAM and TAM2 in the context of IR and propose a new external variable (IR knowledge) to enhance the understanding of an individual's acceptance behavior on IR.

The paper is structured as follows; Section 2 focuses on the theoretical background. This is followed by a review of TAM, knowledge, perceived usefulness, social norms, and intention to prepare IR; Section 3 presents the research method used in this study, and Sections 4 presents the findings of this study and discuss them in light of the literature review. Finally, Section 5 presents the conclusions which include a summary of key findings, limitations, and recommendations for future research, and implications on theory and practice.

2. Literature review

2.1 Technology acceptance model

TAM initiated by Davis (1989) is an extension of the Theory of Reasoned Action (TRA) (Fishbein & Ajzen, 1975). TAM is an attempt to understand why people accept or reject information systems. Earlier TAM studies have used various types of models to get a broader perspective and a better explanation of the process of receiving technology in individuals. TAM has been extensively researched in Indonesia to examine consumer behavior and system acceptance, for example, people's interest in e-learning, acceptance of information systems, acceptance of audit techniques, electronic procurement, application of information technology, internet banking, mobile internet, and others (Renny et al., 2013). The original TAM model (Figure 1) introduced three main variables as precursors affecting the actual utilization of a system or a technology: Perceived Ease of use, Perceived Usefulness, and Attitude toward using the target system. Both Perceived ease of use and perceived usefulness were leading factors on attitude toward using a system or a technology with the outcome variable being the actual utilization of a system.

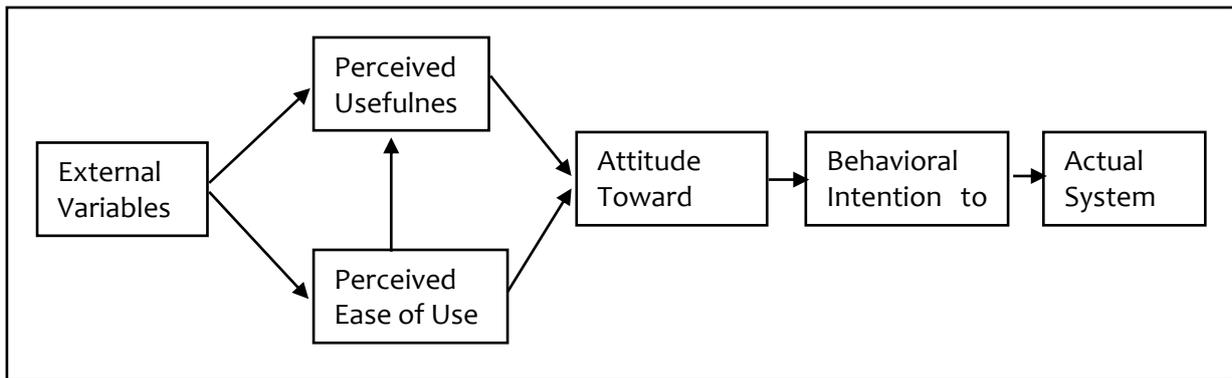


Figure 1. Original Technology Acceptance Model

An extension to the technology acceptance model (TAM2) was developed by Venkatesh & Davis (2000) that outlined perceived usefulness and usage intentions as it related to the processes of social influence and cognitive instrumental (Figure 2). Venkatesh & Davis (2000) extend the original TAM by incorporating three social influence processes, for instance: subjective norm, voluntariness, and image; and four cognitive instrumental

processes, which include job relevance, output quality, result demonstrability, and perceived ease of use; in relation to the original TAM perceived

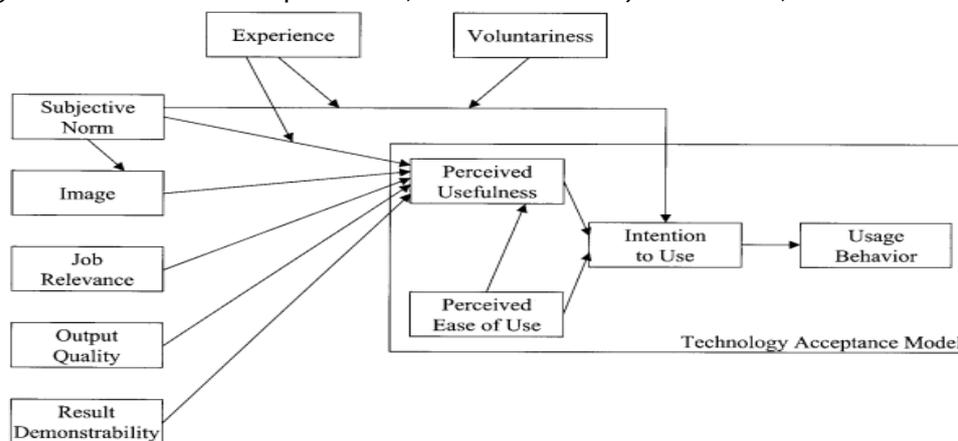


Figure 2. Technology Acceptance Model 2

usefulness construct. This study uses original TAM and TAM2 for IR acceptance for the following reasons; first, the original TAM

provides flexibility because external variables can be expanded by entering a knowledge variable that corresponds to research purposes; and second, the difference between original TAM by Davis (1989) and TAM 2 by Venkatesh & Davis (2000) is the presence of external variables, which include subjective norms, which are used as moderating variables in this research.

2.2 Integrated reporting

IR is a report that links financial and non-financial performance in one report (de Villiers & Maroun, 2017; Adams, 2015; Beck et al., 2017). IIRC (2011) defines IR as is an organization's communication of information reflected in a report which is addressed to stakeholders about the creation of value in the short, medium, and long term. IR is the type of reporting that covers much broader and more than sustainability reporting (SR). IR combines the financial, economic, governance, and social aspects of the company. IR focus not only on shareholders but also on stakeholders. An integrated report is defined as a concise communication of the integration of an organizational strategy with corporate governance, the three dimensions of sustainability and how those dimensions of sustainability can create value in the short-, medium- and long-term (Simnett & Huggins, 2015).

2.3 Knowledge

Knowledge embodies all information that a person possesses or accrues related to a particular field of study (Alexander & Jetton, 2000). Knowledge is generally defined as comprising three forms: (1) declarative, or knowing what, (2) procedural, or knowing how, and (3) conditional, or knowing when and why (Schrader & Lawless, 2004). For example, knowing how to define the word IR is an example of demonstrating one's declarative knowledge. Comparatively, knowing how to identify non-financial information, and to present IR would exemplify procedural knowledge. The setting in when to engage stakeholder engagement, and when to arrange IR is an example that shows conditional knowledge, that is, knowing when one phase ends and the other begins.

Zafar & Khan (2013) state that experience and knowledge are contributing factors to increase intention and success. They also state that knowledge can be learned both formally and informally. IR reporting on SMEs is a new perspective; through training, SME owners will have the knowledge and skills to implement it. Training can create self-efficacy and self-confidence (Mueller, 2011). In this paper, IR training is a process designed to increase SME owners' knowledge. The term knowledge is used to describe SME owners' knowledge and understanding regarding the IR.

2.4 Perceived usefulness

The perceived usefulness is the extent to which someone believes that using technology will improve their performance (Van der Heijden, 2003). In other words, individuals will use a particular technology if they know the benefits of using it (Hu et al., 2009; Lai & Wang, 2012). Similarly, Davis (1989) defined the perceived usefulness as the degree of a person's belief that particular technology could be used to enhance their performance. The study then concludes that by perceived usefulness, a person believes in the value of IR to improve their performance.

2.5 Social norms

Tsai, Chang, & Peng (2016) stated that social norms refer to the perceptions toward other people's acceptance, such as family members, colleagues, friends, and the others who are significant, which influences their intention to prepare IR. Accordingly, Krueger (2000) viewed that an individual's intention is also influenced by perceived social norms. Norms are determined by the expectations felt by someone about the people considered important to him, such as relatives, friends, and colleagues. Social norms are accepted behaviors formed within a group or society. Individuals often change their cognitive behaviors to meet the expectations of others or to comply with the norms of their group (Fishbein & Ajzen, 1975). Previous studies have categorized social influences into informational and normative ones (Karahanna et al., 1999).

2.6 Intention to prepare IR

The intention to behave is based on a clear concept in consumer's psychology and behavior (Fishbein & Ajzen, 1975). Behavior intention is also defined as a person's perception that he will perform

certain behaviors (Agrebi & Jallais, 2015). Ajzen (1991) suggested that intentions are presumed to be an indicator of to what extent people are willing to approach specific behaviors and how many attempts they try to perform them. In this research, the intention is possessed by SME owners to prepare IR in the future.

2.7 Hypothesis development

2.7.1 The effect of knowledge on an intention to prepare IR

There have been many previous studies which show that knowledge is not only for the acquisition of the new one (e.g., Halford, 1993). It also increases an individual's attention either to discount or to focus on certain environmental elements (e.g., Ericsson, Patel, & Kintsch, 2000; Marshall, 1995). Besides, it allows people to make conclusions, and therefore, be able to increase the perceived meaningfulness of new information (Gagne, Yekovich, & Yekovich, 1993; Marshall, 1995). Hence, knowledge is an understanding of something. It is the cognitive processing of information. Through training, people can acquire new knowledge, and ultimately form an attitude. As a result, IR knowledge can affect SME owners' ways of thinking, and it is reflected in their intention to prepare IR. In other words, IR training and education are aimed at changing the recipient's orientation, attitude, and perception. The trainings also provide IR knowledge, skills, and competencies needed by individuals, and it encourages them to develop IR. Hence, the researchers posit:

H1: Knowledge significantly affects the intention to prepare IR.

2.7.2 The effect of IR knowledge on perceived usefulness

Linan (2008) viewed that training should be carried out to meet the specific needs of different audiences. Traditionally as a business entity, companies have an economic goal to achieve, namely maximizing profits. The emphasis of the companies on their economic goals has caused them to ignore social and environmental responsibilities. However, today, the demands of stakeholders are increasing that the companies have to engage in corporate social responsibilities (CSR) (González-Rodríguez et al., 2015; Malsch, 2012). Corporate involvement in CSR activities is indicated to have benefits to improve the company's financial performance. Companies that have high levels of social performance are those which can meet the demands of different stakeholders. Therefore, companies can gain supports from the stakeholders, thereby impacting improved financial performance (Lu & Taylor, 2018). In IR training, trainees will gain new knowledge about IR, both in theories and practices. The knowledge will increase their understanding of the usefulness of IR. Thus, fostering IR training will enhance the perceived usefulness of IR. Based on the explanation above, the hypotheses can be formulated as follows:

H2: Knowledge significantly affects perceived usefulness.

2.7.3 The effect of perceived usefulness on the intention to prepare

SME owners will tend to make IR if they perceive IR useful for their business. Tan & Teo (2000) argued that perceived usefulness is a crucial factor in determining the adaptation of innovations. As a consequence, the higher the perceived value of using IR is, the more likely it will be adopted. Park & Chen (2007) found that users' perceived usefulness positively influences their intention to use smartphones. Park & Kim (2013) explored users' acceptance of long-term evolution (LTE) services. Their study showed that the perceived usefulness of LTE services has positive effects on its users' intention to use it. Kim et al. (2008) showed that perceived usefulness affects the continuous intention to use short message services, which provide practical benefits to users in search of effective communication alternatives. IR helps to shape and increase the individuals' perceptions and attitudes toward the intention to prepare IR. The greater knowledge of IR would lead to a higher propensity towards the SME owners' intention to develop IR. This study, therefore, proposes the following hypothesis:

H3: Perceived usefulness significantly affects the intention to prepare IR

2.7.4 Perceived usefulness mediates IR knowledge and the intention to prepare it

TAM clearly indicates that the perceived usefulness and perceived ease of use would act as mediators (Wang & Lin, 2012; Park, 2009), rather than their independent effects as proposed in other studies of user acceptance (Suki & Ramayah, 2010; Nah et al., 2004; Sledgianowski & Kulviwat, 2009). IR

knowledge will be added to the belief that IR is useful, and it meets the expectation of the stakeholders. The knowledge gained during the training will increase the perceived usefulness of IR, which will underlie attitudes influencing the intention of SME owners to prepare IR. Based on the description, the fourth hypothesis can be formulated as follows:

H4: Perceived usefulness mediates the relationship between IR knowledge and the intention to prepare it.

2.7.5 Social norms moderate the effect of knowledge on the intention to prepare IR

Meek, Pacheco, & York (2010) stated that social norms are a set of unwritten rules guiding the behaviors of a peer group, family, or colleagues, which can influence the actions. In a given community, the existence of norms is to force individuals or groups to act following the existing rules. Social norms can also be interpreted as guidelines or benchmarks of behaviors that are justified and appropriate in doing social interactions in particular community groups (Mackie et al., 2012). Tsai, Chang, & Peng (2016) argued that social norms are people's perceptions toward acceptance by family members, friends, or colleagues. All of them can influence an individual's intention. It is hypothesized that social norms moderate the relationship between IR knowledge and the intention to prepare it. Under high perceived social norms, increasing IR knowledge is likely to increase the intention to develop IR. The explanation leads to the following hypothesis:

H5: Social norms moderate relationship between IR knowledge and intention to prepare IR

3. Research method

This study examines SMEs located in four cities in East Java. A small enterprise is considered as an active business company that has annual sales between 300 million – 2.5 billion rupiahs; while a medium one has more than 2.5 billion – 50 billion rupiahs. The sampling technique used was quota sampling, in which 30 SME owners were selected from each city to participate in this study.

The sample was chosen based on several criteria. First, the SME owners are actively involved in the activities carried out by the cooperative and UKM offices. Second, SME owners should prepare financial reports regularly for at least the last five years. The selection of SME owners based on these two criteria was carried out with the help of staff from the cooperative offices. The participation of these staff in the selection of samples is essential because they understand the target companies, where, based on their experience, the SME owners are qualified to be included in the training. This study used a structured questionnaire based on the literature review and other relevant studies. Before filling out the survey, the owners were first given a two-day training theory and practice on IR. This study uses four types of variables, namely dependent, independent, moderating, and intervening. The variable identification is presented in Table 1.

Table 1.

Variable Identification

Hypotheses	Independent variables	Mediating variables	Intervening variables	Dependent variables
H1	Knowledge			Intention to prepare IR
H2	Knowledge			Perceived usefulness
H3	Perceived usefulness			Intention to prepare IR
H4	Knowledge	Perceived usefulness		Intention to prepare IR
H5	Knowledge		Social norms	Intention to prepare IR

The indicators of each dimension and the literature references are compiled in Table 2. Modifications were made to the wording of the questionnaire to match the variables being measured. A five-point Likert scale (1 strongly disagree; 2 disagree; 3 quite agree four agree; 5 strongly agree) was used for all variables. Table 2 shows the survey indicators used in this study.

Table 2.

Survey indicators used in this study

Construct	Indicators	References	No. of items
IR Knowledge (IR)	Financial and nonfinancial information	GRI (2016) IIRC (2013)	7

	Stakeholder interest and expectation Provide economic, social and environmental information Value creation		
Social Norms (SC)	Peer Government Environment	Yusuf et al. (2017).	5
Perceived usefulness (PU)	Better information Better decision making Better transparency Facing business competition Better reputation	Pillai & Mukherjee, (2011), Wang & Lin, (2012), Park & Kim, 2013; Wong et al. (2013), Ooi & Tan (2016)	5
Intention to prepare (IP)	The worthiness of using, The intention of using in in the future recommendation	Liang & Lu (2013), Hsu & Lin (2015), Yang et al., (2016)	3

The following Table 3 presents the average variance extracted (AVE), composite reliability, and Cronbach alpha. AVE is used to see discriminant validity, where it is required that the AVE value of each construct is greater than 0.5. Composite Reliability and Cronbach Alpha are used to measure construct reliability. Composite reliability (sometimes is called construct reliability) is a measurement of internal consistency in scale items, much like Cronbach's alpha (Netemeyer et al., 2003). Both values must be above 0.70 to be considered reliable.

Table 3.

Reliability Test

	Cronbach Alpha	Composite Reliability	Average Variance Extracted (AVE)
IP	0.717	0.842	0.641
IR	0.970	0.970	0.843
PU	0.883	0.919	0.739
SC	0.894	0.922	0.704

4. Result and discussion

Table 3 shows that most of the SME owners (42.50 %) are aged between 40 - 49. Thirty-one others (25.83%) are above 50 years old. It is followed by 27 of those (22.50%) aged at 30-39 and the last 11 ones (9.17%) aged under 29 years old. It can be seen as well, and there are more women than men. More specifically, among them, 70 owners (58.33%) were female, and the remaining 50 ones (41.67%) were male.

Based on the education levels, 51 owners (42.50%) are high-school graduates, 41 owners (34.17 %) hold bachelor degrees, 15 owners (12.50%) are junior-high school graduates, 11 owners (9.1%) have a diploma, and the last 2 participants (1.67%) have master's degrees. Classified from the types of business, most of the SMEs (59.1%) run manufacturing companies, 35 SMEs (29.1%) manage trading, the other 2 SMEs (1.67%) have service-business, and the remaining 12 SMEs (10%) are of other various business types.

Furthermore, 96% of SMEs have annual sales of more than 300 million- 2.5 billion, and 24% have sales of more than 2.5 billion - 50 billion. Finally, judging by the length of periods of running their business, most of the SMEs (40.83%) have a period of 6-10 years, 37 SMEs (30.83%) have run in >10 years, 22 SMEs (18.33%) have 1-5 years, and the 12 SMEs (10%) have less than 1 year.

Hypothesis 1

Table 4 shows that the path of IR to IP has an alpha value of 0.172, which is higher than 0.05. It means the direct influence of IR knowledge on the intention to prepare it is not proven. Therefore, hypothesis 1 is rejected.

This result is not consistent with the previous studies that found knowledge influences intention (Sanchez, 2012; Yusuf et al., 2017). There are three possible explanations related to the insignificant result. First, two days of training is a short time. A short training cannot immediately change behavior. Learning which changes behavior is a process, not a single event. Second, the owners may see that the positive effect of IR on SME businesses is too long to be felt, and the results are not immediate. SME owners prefer activities that have a faster impact on their business, such as sales and product quality. Third, SME owners know that in Indonesia, the preparation of IR is still voluntary, and there are no rules requiring them to prepare IR.

Hypothesis 2

The second hypothesis requires a test of the expected significant effect of IR knowledge on perceived usefulness. As summarized in Table 4, $p\text{-value } 0.000 < 0.05$, it means that the more excellent IR knowledge by SME owners would lead to a higher propensity towards the owners' intention to prepare IR. Hence, the result supports hypothesis 3.

Training is one way to increase human knowledge. Training needs to take advantage of scientific advances to be able to achieve goals effectively and efficiently. IR training can enhance the understanding of SME owners about the benefit of IR, which then increases the perception of SME owners about the perceived usefulness of the IR.

The previous findings showed that integrated reporting is associated with favorable market-related outcomes. For example, Baboukardos & Rimmel (2016) reported an increase in the earnings valuation coefficient, accounting performance (Lee & Yeo, 2016), and earnings forecast accuracy (Bernardi & Stark 2016; Zhou et al., 2016).

Hypothesis 3

Hypothesis 3 states that perceived usefulness significantly affects the intention to prepare IR. From the Table 4, it can be seen that $p = 0.013 < 0.05$. It indicates that the effect of perceived usefulness on the intention to prepare IR is significant. It can be said that hypothesis 3 is supported. Perceived usefulness felt by SME owners will increase the intention to prepare IR. The more a person feels that the system brings benefits, the higher the person's intention to use it. This is consistent with previous research, which found that the perception of use has a direct influence on intention to use (Pillai & Mukherjee, 2011; Wang & Lin, 2012; Park & Kim, 2013; Wong et al., 2013; Ooi & Tan, 2016).

Hypothesis 4

It is expected in hypothesis 4 that perceived usefulness mediates the relationship between IR knowledge and intention to prepare IR. Table 3 shows that the total indirect effect is 0.119, with a significant level of 0.042. The values indicate that SME owners with higher IR knowledge will have higher perceived usefulness, and ultimately have a higher level of intention to prepare IR. Hence, H4 is accepted.

The findings of this study are consistent with previous research, which found that social norms can act as a moderating variable (Dohnke, 2011; Chou & Sun, 2017; Kawamura & Kusumi, 2018). Training is a process of teaching specific knowledge and expertise so that individuals are skilled and able to carry out work. IR training is intended to update SME owners' knowledge because of changes in company reporting. Through training, SME owners understand the benefits of the IR, and will further increase the intention to prepare the report. Knowledge gained during the training will be stored by the trainee in his brain's memory. This knowledge for SME owners serves to understand about IR and the perceived benefits of implementing IR. The knowledge gained during the training is useful information for the owner. Knowledge, combined with experience, will encourage the emergence of a desire to implement IR.

Hypothesis 5

The result suggests social norms strongly strengthen the effect of IR knowledge on the intention to prepare (p-value $0.000 < 0.05$). The results denote that the higher the social norm, the stronger the impact of knowledge on Intention to develop IR. Thus, H5 is accepted.

It can be said that higher social norms, coupled with higher IR knowledge, will improve intention to prepare IR. And an individual who sees another individual else making IR will be motivated to engage in the same behavior. Individuals apply forms of reporting to comply with group norms. Social norms have a higher influence in a collective society. Indonesia can be classified as a collective society, with an emphasis on groups.

These results showed the importance of social norms that can influence initial adopters to prepare IR. This research shows that social norms are “drivers” that can strengthen (or weaken) SME owners to apply (or not to apply) IR. Social norms are typically defined as perceived social pressure to engage or not engage in specific behaviors (Ajzen, 1991). Although social norms can be conceptualized in different ways (Lapinski & Rimal, 2005; Chung & Rimal, 2016), the role of perceived normative peer behaviors and attitudes have emerged as critical predictors of behaviors in a group context. A social norm is an expectation about appropriate behavior that occurs in a group. Indonesia is currently developing a community-based SME empowerment. Communities are considered as business incubators that are carried out while developing sociopreneurship capabilities. In these communities, social norms are an important element that facilitates coordination between members. The norms strengthen collaborative actions to achieve a collective advantage. The application of IR in one community is part of social norms that can "oblige" members of the community to prepare IR.

Based on the hypotheses testing above, the results of this study can be summarized in Table 4 as follows.

Table 5.

Summary of the Results

Paths	Direct Effect	Moderating	Intervening (Indirect Effect through social norm)
IR→IP	Hypothesis 1 Rejected		Hypothesis 4 Accepted
IR→PU	Hypothesis 2 Accepted		
PU→IP	Hypothesis 3 Accepted		
IR*SC→IP		Hypothesis 5 Accepted	

5. Conclusion

This study aims to examine the impact of knowledge on an intention to prepare IR, with social norms as a moderating variable and perceived usefulness as a mediating variable. The research has revealed three remarkable findings. First, IR Knowledge does not affect the intention to prepare IR. Second, IR knowledge significantly affects perceived usefulness. Third, perceived usefulness significantly affects the intention to make IR. Fourth, Perceived usefulness mediates the relationship between IR knowledge and intention to prepare. Fifth, social norms moderate the relationship between IR knowledge and intention to develop IR.

To the author's knowledge, this is the first study that explores the use of TAM in the area of IR. TAM could be expanded to provide a richer model to predict and to explain IR acceptance or adoption. There are three limitations to this study. First, the use of self-report scales to measure study variables suggests the possibility of a common method bias for some of the results. Future research should employ both questionnaires and in-depth interviews. Second, this research only examines SME owners in four cities. Further research shall enhance the coverage by including more cities in East Java. Third, this study was conducted with a snapshot research approach. More research efforts are needed to evaluate the validity of the investigated models and findings. Longitudinal evidence might enhance our understanding of the causality and the interrelationships between variables that are important to the acceptance of IR by SME owners.

This study has both theoretical dan practical contributions. This study contributes to the application of IR in SMEs, which have not been adequately investigated. This paper provides an initial view of IR in SMEs. The road to IR has just begun, and this finding is the first contribution that highlights the importance of IR knowledge that can motivate initial adopters to prepare IR. Furthermore, this paper makes an essential contribution to the existing TAM theory by including IR knowledge as an external variable. This research is probably the first study that uses the TAM model in IR. The findings indicate that the government or professional institutions should develop an IR standard for SMEs. A professional institution such as the Chartered Accountants of Indonesia can promote this agenda by providing standard IR for SMEs. Furthermore, SME owners organizations may learn to focus on social and environmental value creation. Finally, the government should make policies related to the disclosure of non-financial information that is appropriate for SMEs.

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