

Evaluation of Audit Process, Tax Compliance, Quality of Financial Disclosure of MSMEs and Risk Management Towards Increasing Business Sustainability in Medan Petisah District

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ABSTRACT

This study aims to determine how audit evaluation, tax compliance, quality of MSME financial disclosure, and risk management affect the improvement of business sustainability in Medan Petisah District. This study uses a questionnaire as secondary data. To check the information, validity tests, reliability tests, classical assumption tests (data normality tests, multicollinearity tests), hypothesis tests (T tests, F tests) are used. All are done using SPSS software. The population in this study were all members of the MSME community who live in Medan Petisah District. The examination strategy was carried out using a sampling technique using purposive sampling. This sampling method is based on criteria, and the samples taken in this study were members of the MSME community who live in Medan Petisah District. With this method, the sample obtained was 161 respondents. The results of this study indicate that the evaluation of the audit process, tax compliance, quality of MSME financial disclosure and risk management have a positive and significant effect on improving business sustainability in Medan Petisah District

INTRODUCTION

Especially in Medan City, Medan Petisah District, the outbreak caused by the COVID-19 virus has greatly hampered the long-term survival of micro, small, and medium enterprises (MSMEs). During the pandemic, the Cooperatives, Micro, Small, and Medium Enterprises (KUMKM) Service actively helped MSMEs develop their businesses. The Central Statistics Agency (BPS, 2021) reported that MSMEs contributed more than sixty percent of the country's GDP and more than ninety-seven percent of the workforce produced. However, the impact of the pandemic resulted in 672,000 MSMEs in North Sumatra with 70% experiencing a significant decrease in income (Covid19.sumutprov.go.id, 2020). MSME actors must quickly adapt to government policies (Kurniawan et al., 2022). Despite their economic role, MSMEs often face challenges such as audits, tax compliance, quality of financial disclosure, and risk management in running business operations.

An effective audit process is critical to the growth of MSMEs. Audits increase transparency and accountability and help identify opportunities for operational efficiency. However, due to the decline in human resources and finances, MSMEs in Indonesia often face challenges in conducting effective audits (Setiawan et al., 2020). In addition, the lack of understanding of the benefits of comprehensive audits reduces the motivation of MSMEs to carry them out regularly.

Compliance with tax regulations is a crucial factor affecting the sustainability and reputation of MSMEs. Maintaining good compliance not only prevents sanctions but also increases credibility for investors and the market. However, MSMEs often have difficulty meeting tax obligations due to the complexity of regulations and limited resources for professional consultation (Purwanto et al., 2022).

Good quality financial disclosure improves operational transparency and the reputation of MSMEs in the market. According to recent research, MSMEs often have difficulty in providing comprehensive and timely financial reports. Such as lack of internal resources and understanding of accounting regulations (Miswanto et al., 2023).

Risk management is also a challenge for MSMEs in facing various risks, including operational, financial, and reputational risks that impact performance and stability. Constraints such as limited knowledge, resources, and access to risk mitigation instruments are often the main challenges for MSMEs in protecting their businesses from the negative impacts of unexpected risks (Wijaya et al., 2023).

Business sustainability includes additional actions to protect business continuity, continuation, expansion, and business approaches (Rachmasari, 2024), Business owners are able to manage risks and comply with government regulations by paying taxes. In addition, MSME actors must provide accurate financial reports without fraud so that investors can invest in MSME businesses. Research by (Octavia et al., 2022) shows that audits have an effect on MSME financial reports. In research (Loso Judijanto, 2024) shows that tax compliance has a positive effect on the sustainability of MSMEs in Semarang City. Research

(Kusuma Wijaya, 2019) shows that the quality of financial reports has no effect on MSMEs around Gresik and Surabaya. Research (Santana et al., 2023) states that MSMEs must conduct detailed risk management analysis in running their businesses such as financial risk analysis, marketing risk, production risk and reputation in situations of uncertainty. Therefore, this research is different from previous research, the difference lies in the location and research methods. This study focuses on the impact of the Covid-19 pandemic on MSMEs in Medan Petisah District and how MSMEs face tax compliance challenges in the context of frequent policy changes. This study provides new, more detailed and specific insights entitled "**Evaluation of the Audit Process, Tax Compliance, Quality of MSME Financial Disclosure, and Risk Management towards Improving Business Sustainability in Medan Petisah District.**"

LITERATURE REVIEW

Audit Process Evaluation for Business Sustainability Improvement

An ineffective audit process causes errors or losses in the financial statements of small and medium-sized companies (Astuti et al., 2024). The level of business sustainability decreases due to an inefficient audit process. Without audit evaluation, business operations can result in practices that reduce information and do not meet accuracy standards so that audit results cannot be used (Harahap, 2013: 105 in Pertini Shandro, 2022).

From the definition above, it is concluded that an ineffective audit process can cause problems in the financial statements of MSMEs and lack of audit supervision can result in undetected financial problems, increasing the risk of failure in business sustainability.

Tax Compliance to Increase Business Sustainability

Low levels of tax compliance contribute to decreased business sustainability because the risk of sanctions and fines can be detrimental and disrupt business continuity (Hanna, Nunggi Safriatul: 2024). The development of small and medium businesses provides great opportunities for marketing and has an impact on the country's fiscal. When small and medium enterprises grow, tax compliance greatly influences the financial stability of the business or business because it provides great opportunities for marketing and has an impact on the country's fiscal revenue. The higher the level of tax compliance of MSMEs, the more credible the business is (Evin Sofianti & Sriyani, 2023).

The reasons above help us to conclude that improving the sustainability of a company is highly dependent on tax compliance. This is because higher tax compliance can help companies gain more trust.

Quality of MSME Financial Disclosure Towards Improving Business Sustainability

Poor financial reports cause a business to slump because stakeholders find it difficult to assess the performance and financial health of a business. Financial reports usually involve many important sources for investors or stakeholders. These sources include Cash, Inventory, and Receivables in the business (Muhammaddin, Novandra et al: 2024). So the quality of financial disclosure must be transparent or free from fraud so that the government can easily provide

assistance to MSME actors which results in an increase in a business or business (Zhafira, et al., 2023).

Based on the explanation above, it can be concluded that the quality of good financial disclosure is very important for MSMEs or business sustainability. By using clear and accurate financial reports, investors and other stakeholders can make proper evaluations of the performance and finances of MSME businesses.

Risk Management for Increasing Business Sustainability

One approach to dealing with business risks is risk management. Risk management is a key tactic that can help MSMEs reduce risk by minimizing losses and maximizing opportunities in terms of recognizing, evaluating, managing, tracking, and reporting hazards associated with any activity, role, or process. (Hendarwan, 2022) in Pengestuti et al., 2024). MSMEs must be aware of the financial, operational, and marketing hazards they face and work actively to mitigate them (Chen et al., 2020 in Aziz et al., 2024).

For the reasons above, it can be concluded that risk management is quite important in ensuring the long-term survival of a business or company that manages risk.

Evaluation of the Audit Process, Tax Compliance, Quality of Financial Disclosure MSMEs, and Risk Management to Improve Business Sustainability

Business sustainability is the ability of a company to maintain, improve and fulfill its operations in running a business (Firdausi, 2020). To predict business sustainability, an integrated method is needed to assess financial performance (Loso Judijanto et al., 2024). So that effective audit evaluation can improve financial reporting and accountability in a business. Tax compliance, quality financial disclosure, effective risk management also contribute to the financial stability of MSMEs business sustainability.

Hypothesis

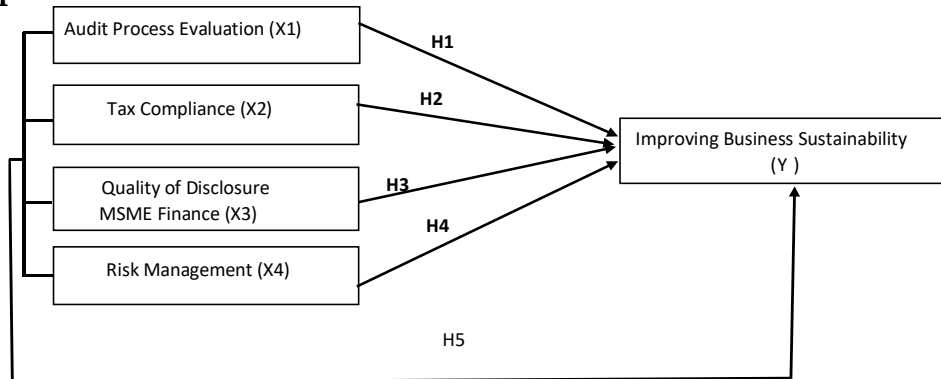


Figure 1. Conceptual Framework

The hypothesis of this study are:

H1: Audit Process Evaluation has an effect on Increasing Business Sustainability

H2: Tax Compliance has an effect on Increasing Business Sustainability

H3: The Quality of Financial Disclosure of MSMEs has an effect on Increasing Business Sustainability

H4: Risk Management has an effect on Increasing Business Sustainability

H5: Audit Process Evaluation, Tax Compliance, Quality of Financial Disclosure of MSMEs,

Risk Management has an effect on Increasing Business Sustainability

METHODOLOGY

Type of Research

This form of research utilizes a quantitative approach. This method relies on the use of surveys and other elements to apply theory in practice. This research was analyzed using a data collection tool known as SPSS. A questionnaire is one example of a data collection method that is used to find out respondents' answers through written questions or answers (Lianasari & Ahmadi, 2022).

Place and Time of Research

This research uses secondary data and is based on a questionnaire. The place and time of this research were conducted in Medan Petisah District, North Sumatra by taking data from the official website of Binaan Kota Medan <https://katalog.data.go.id/dataset/data-umkm-binaan-di-kota-medan-2020>.

Data Source

Population

Sugiyono defines population as a broad category of people or groups with certain characteristics that are intended to be investigated and then developed (Veronica et al., 2022). All members of MSMEs in Medan Petisah District will be used as the population in this study. The following is the number of MSMEs in Medan Petisah District from 2020 to 2022.

Table 1. MSMEs in Medan Petisah District from 2020 to 2022

| No | Description | Amount |
|----|--------------------|------------|
| 1 | Petisah Tengah | 38 |
| 2 | Sekip | 21 |
| 3 | Sei Sikambing | 25 |
| 4 | Sei Putih Barat | 31 |
| 5 | Sei Putih Tengah | 8 |
| 6 | Sei Putih Timur I | 26 |
| 7 | Sei Putih Timur II | 12 |
| | Amount | 161 |

Source: Data from Medan City's fostered MSMEs from 2020 to 2022

Data Collection Techniques

The data collection approach used is a questionnaire that can analyze data based on measurements and statistics (Ardiansyah et al., 2023).

Sample

Sugiyono said that the sample size must truly reflect the population being studied. The reason is, the samples taken represent the population both in terms of size and composition (Stiawan et al., 2022). Based on these criteria, purposive sampling was used to select samples from the MSME community in Medan Petisah District.

Slovin's Formula:

$$n = \frac{N}{1+Ne^2}$$

$$n = \frac{161}{1 + (161)(0,05)^2}$$

$$n = \frac{161}{1,4025}$$

$$n = 114,79 \text{ rounded up to } 115.$$

Formula description:

n : number of samples

N : number of population

e : error tolerance limit

Operational Definition

Table 2. Operational Definition

| variable | Operational Definition | Indicator | Scale Measurement |
|-------------------------------|---|---|-------------------|
| Audit Process Evaluation (X1) | According to (Budi Sulistia & Neni Meidawati, 2024) audit process evaluation is a systematic effort to determine the effectiveness of the audit process carried out by the auditor. This assessment increases awareness of the procedures, implementation and results of the audit carried out in accordance with professional standards. | <ol style="list-style-type: none"> 1. Level of compliance with audit standards. 2. Efficiency of audit process time. 3. Level of recommendations based on audit results. | Likert scale |
| Tax Compliance (X2) | According to the OECD, tax compliance refers to tax obligations and includes timely payment of taxes in accordance with applicable tax rules (Hardiningsih et al., 2021). | <ol style="list-style-type: none"> 1. Time compliance level 2. Understanding level 3. Tax awareness level. | Likert scale |

| | | | |
|---|---|--|--------------|
| Quality of UMKM Financial Disclosure (X3) | According to Umiyati's research (Umiyati, 2021), the quality of disclosure is determined by the timeliness and relevance of information that helps business owners make decisions in making business plans. | 1. The level of application of accounting standards. 2. 3. The level of relevance of financial information. The quality and transparency of information | Likert scale |
| Risk Management (X4) | According to Jamali (Jamali et al., 2022), the importance of training, motivation and strong understanding for business owners in reducing risks in MSMEs. | 1. Identification of risks faced by MSMEs. 2. Effectiveness of risk impact mitigation. 3. Level of risk control. | Likert scale |
| Business Sustainability Improvement (Y) | According to Nugrahanti (Nugrahanti et al., 2024), the importance of capacity development for MSMEs includes managerial, technical and marketing skills training to increase competitiveness. | 1. Profitability level. 2. Market share growth rate. 3. Customer satisfaction and loyalty level. | Likert scale |

Types and Sources of Research Data

According to Sugiyono, secondary data is a type of organized information that can be easily accessed by researchers. (Elsye et al., 2022) stated that these facts come from research sources that can help literature and documentation, both of which can provide research assistance. Researchers look for secondary data from various sources, including previous research, books, papers, journals, websites and other materials related to the topic.

Data Analysis Techniques

Using data analysis methods to carry out statistical processing of research results from classical assumption tests, reliability tests, validity tests and hypothesis tests is by using SPSS software. 2.6.1 Validity Test

If a hypothesis is considered valid, then the hypothesis must pass the validity test. Comparing r-count and r-table with free dk (n-2) is one way to determine validity. A proposition can be said to be true if the r-count value is greater than the r-table (Alfiyanto et al., 2024).

Reliability Test

A person applies a reliability test to ensure data dependability. A tool is considered reliable if it consistently gives the same results when used to measure the same thing multiple times using the Cronbach alpha calculation helps someone ensure the level of reliability. The Cronbach Alpha coefficient is the standard used in all reliability determination procedures (Aisyiah Rizqy Aulia, 2024). The results used to analyze a variable are considered credible if the Cronbach Alpha value is > 0.70. Conversely, the reliability of measuring a variable is considered low if the Cronbach Alpha value is < 0.70.

Classical Assumption Test

Data Normality Test

According to Sugiyono, using a normality test to determine whether the independent and dependent variables follow a normal distribution (Rusdianti, 2024). The Kolmogorov-Smirnov test looks for whether the experiment follows a normal distribution. Probability Plots graphs or normalization graph techniques are used to test for normality. It can be concluded that the regression model meets the normality criteria because the data is spread along and in the diagonal direction. Conversely, if the data is diagonally oriented but deviates, it can be concluded that the regression model does not meet the normality assumption.

Multicollinearity Test

Sugiyono stated that the multicollinearity test finds if there is a detection between independent variables or when the dependent variable is proven to be problematic (Haryani et al., 2022). The Variable Inflation Factor/VIF value is used as the basis for decision making in the multicollinearity test. Specifically, this number prevents multicollinearity in the regression model when $VIF < 10$ and the Tolerance value > 0.1 .

Hypothesis Testing

According to Sugiyono, a hypothesis is a statement developed in line with the research subject in the form of a question. A hypothesis is a statement based on a theory about the relationship between two or more variables (Mayasari & Safina, 2021).

T Test (Partial)

Partial hypothesis testing involves evidence of a significant relationship between the dependent variable and the independent variable of interest. Assuming a significance level of < 0.05 and $t_{count} > t_{table}$, the first and second hypotheses are accepted. The first and second hypotheses are rejected if the t_{count} value $< t_{table}$ with a significance value > 0.05 (Mujahiddah Azizah & Winda Putri, 2024).

F Test (Simultaneous)

According to (Syaipudin & Awwalin, 2023) the F test is used to determine whether the independent variable has a simultaneous effect on the dependent variable. The reasons behind choosing the F test are explained in the variance table (ANOVA). The clear influence of the independent variable on the dependent variable is shown in the calculated F exceeding the F table at a significance level < 0.05 . It can be concluded that the independent variable does not affect the dependent variable F calculated $< F_{table}$ with sig > 0.05 .

RESULTS

Data Analysis Method

Descriptive Data Analysis

Here are the Results of Descriptive Data Analysis Testing

Table 3. Descriptive Statistics
Descriptive Statistics

| | N | Minimum | Maximum | Mean | Std. Deviation |
|--|-----|---------|---------|---------|----------------|
| PROCESS EVALUATION AUDIT | 161 | 3.00 | 15.00 | 7.3913 | 3.14677 |
| TAX COMPLIANCE | 161 | 3.00 | 15.00 | 8.5155 | 3.17038 |
| QUALITY DISCLOSURE MSME FINANCE | 161 | 4.00 | 15.00 | 8.0807 | 3.04338 |
| RISK MANAGEMENT IMPROVEMENT BUSINESS | 161 | 3.00 | 15.00 | 8.6957 | 2.95602 |
| SUSTAINABILITY IN MEDAN PETISAH DISTRICT | 161 | 3.00 | 15.00 | 10.2795 | 3.26384 |
| Valid N (listwise) | 161 | | | | |

Source: Research Results 2024 (Processed Data)

The following are details of the data that researchers have collected by considering the findings of the descriptive test that has been submitted:

1. The data classifies the Audit Process Evaluation (X1) as having a minimum value of three and a maximum value of fifteen. Here the standard deviation is 3.14677 with an average value of 7.3913.
2. Tax Compliance (X2) based on existing facts, it can be concluded that it has a low value of three and the fifteenth largest value. Here the Standard Deviation is 3.17038 and the average value is 8.5155.
3. From the Quality of Financial Disclosure of MSMEs (X3), it can be concluded from these statistics that the lowest value is four and the largest value is fifteen. In this situation, the Standard Deviation is 3.04338 and the average value is 8.0807.
4. Risk Management (X4) according to the data, it is concluded that the lowest value is three and the largest value is fifteen. Thus, the mean is 8.6957 and the general Standard Deviation is 2.95602.

5. The smallest value of Business Sustainability Improvement in Medan Petisah District (Y) is three and the largest value is fifteen based on statistics. Here the Standard Deviation is 3.26384 and the average value is 10.2795.

Validity Test Results

Table 4. Validity Test

| | TOTAL |
|-------------------------|-------|
| P01 Pearson Correlation | .669 |
| Sig. (2-tailed) | .000 |
| N | 161 |
| P02 Pearson Correlation | .653 |
| Sig. (2-tailed) | .000 |
| N | 161 |
| P03 Pearson Correlation | .680 |
| Sig. (2-tailed) | .000 |
| N | 161 |
| P04 Pearson Correlation | .627 |
| Sig. (2-tailed) | .000 |
| N | 161 |
| P05 Pearson Correlation | .607 |
| Sig. (2-tailed) | .000 |
| N | 161 |
| P06 Pearson Correlation | .667 |
| Sig. (2-tailed) | .000 |
| N | 161 |
| P07 Pearson Correlation | .571 |
| Sig. (2-tailed) | .000 |
| N | 161 |
| P08 Pearson Correlation | .588 |
| Sig. (2-tailed) | .000 |
| N | 161 |
| P09 Pearson Correlation | .662 |
| Sig. (2-tailed) | .000 |

| | | |
|-----|---------------------|------|
| | N | 161 |
| P10 | Pearson Correlation | .683 |
| | Sig. (2-tailed) | .000 |
| | N | 161 |
| P11 | Pearson Correlation | .564 |
| | Sig. (2-tailed) | .000 |
| | N | 161 |
| P12 | Pearson Correlation | .609 |
| | Sig. (2-tailed) | .000 |
| | N | 161 |
| P13 | Pearson Correlation | .575 |
| | Sig. (2-tailed) | .000 |
| | N | 161 |
| P14 | Pearson Correlation | .555 |
| | Sig. (2-tailed) | .000 |
| | N | 161 |
| P15 | Pearson Correlation | .645 |
| | Sig. (2-tailed) | .000 |
| | N | 161 |

Source: SPSS Test Results, 2024 (Processed Data)

From the data collected, around 161 respondents, it can be concluded that the data is valid and significant because $r_{count} > r_{table}$. $R_{table} = 0.1547$ with a level of 5% or 0.05.

Reliability Test Results

Checking the Cronbach Alpha number helps someone ensure the results of the reliability test. If the Cronbach Alpha value > 0.70 , the data used to evaluate the reliability of the variable is said to be reliable. A Cronbach Alpha value < 0.70 shows the unreliability of the data used to measure the variable.

Table 5. Reliability Test Results
Reliability Statistics

| Cronbach's Alpha | N of Items |
|------------------|------------|
| .919 | 15 |

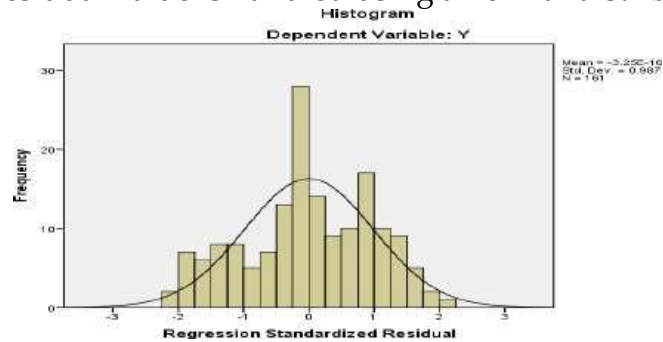
Source: Test results 2024 (Processed Data)

From the test results above, it can be concluded that Cronbach Alpha is reliable because the Cronbach Alpha value is $0.919 > 0.70$.

Classical Assumption Test Results

Normality Test Results

One way to check whether the residual value is normally distributed is through the Kolmogorov-Smirnov normality test. In cases where the significance value is > 0.05 , the residual value is handled using a normal distribution.

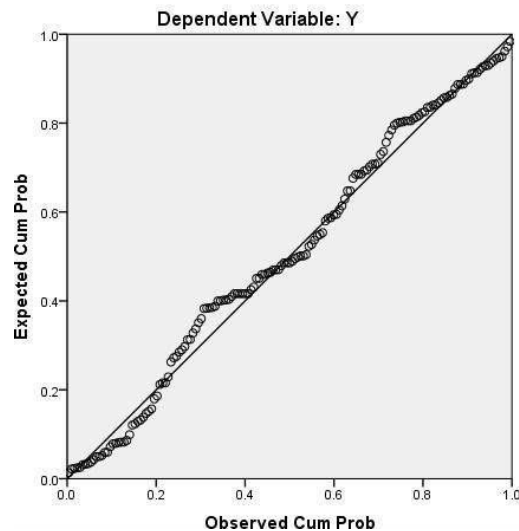


Source: SPSS Test Results, 2024 (Processed Data)

Figure 2. Normality Test Results

The data above clearly shows that the inverted bell shape is in accordance with the bell line, so it can be said that the data is normally distributed.

Normal P-P Plot of Regression Standardized Residual



Source: SPSS Test Results, 2024 (Processed Data)

Figure 3. Normal Probability Plot of Regression Graph

It can be seen from the points next to and approaching the diagonal that the regression model assumes the overall distribution is normal.

Table 6. One-Sample Kolmogorov-Smirnov Test

| | | Unstandardized Residual |
|----------------------------------|--------------------------|-------------------------|
| N | | 161 |
| Normal Parameters ^{a,b} | Mean | .0000000 |
| | Std. Deviation | 2.36975587 |
| | Most Extreme Differences | |
| | Absolute | .054 |
| | Positive | .039 |
| | Negative | -.054 |
| Test Statistic | | .054 |
| Asymp. Sig. (2-tailed) | | .200 ^c |

Source: SPSS Test Results, 2024 (Processed Data)

The results of the normality test conclude that the residual value follows a normal distribution with a significance level of 0.200 greater than 0.05.

Multicollinearity Test Results

Table 7. Multicollinearity Test Results

Coefficients^a

| Model | Collinearity Statistics | |
|-------|-------------------------|-------|
| | Tolerance | VIF |
| 1 X1 | .421 | 2.378 |
| X2 | .366 | 2.732 |
| X3 | .314 | 3.185 |
| X4 | .280 | 3.575 |

Source: SPSS Test Results, 2024 (Processed Data)

The results of the Multicollinearity Test allow us to conclude that there are no multicollinearity indicators because the tolerance value is > 0.100 and the VIF value is < 10.00 .

Hypothesis Test Results
Partial Test Results (T-Test)

Table 8. Partial Test Results

| Variabele | T | Sign. |
|--|--------|-------|
| Audit Process Evaluation > Business Continuity Improvement | 13.416 | 0,000 |
| Tax Compliance > Business Continuity Improvement | 5.149 | 0,000 |
| Quality of MSME Financial Disclosure > Improvement | 3.303 | 0,001 |
| Business Continuity | 3.008 | 0,003 |

Source: SPSS Test Results, 2024 (Processed Data)

Based on the partial test results, it can be concluded:

1. At a significance level of $0.000 < 0.05$, the t-count value of the Audit Process Evaluation (X1) of 13.416 shows that the $t \text{ count} > t \text{ table}$ (1.65468). This shows that the dependent variable is quite influenced by the independent variable.
2. With a significance level of $0.000 < 0.05$, the t count value (5.149) $> t$ table value (1.65468) for variable X2 (Tax Compliance) has a significant effect on variable Y (Increasing business sustainability).
3. The calculated t value on X3 (Quality of Financial Disclosure of MSMEs) is $3.303 > t$ table (1.65468) with one side (one tailed) and a significance level of $0.001 < 0.05$, then the variable X3 has a significant effect on the variable Y.
4. Based on the calculated t value on X4 (Risk Management) of $3.008 > t$ table (1.65468) with a significance level of $0.003 < 0.05$, then the variable X4 has a significant effect on the variable Y.

Simultaneous Test Results (F Test)

Table 9. Simultaneous Test Results

ANOVA^a

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|--------------|----------------|-----|-------------|---------|-------------------|
| 1 Regression | 769.839 | 4 | 192.460 | 191.108 | .000 ^b |
| Residual | 157.103 | 156 | 1.007 | | |
| Total | 926.943 | 160 | | | |

Source: SPSS 2024 Test Results (Processed Data)

Based on the results of the simultaneous test that the calculated f (191.108) is greater than the f table (2.43) then the independent variable (X) has a significant effect on the dependent variable (Y) with a significance level of 0.000 which is less than 0.05.

DISCUSSION

The following is a discussion of the results of the hypothesis test:

H1: Audit Process Evaluation (X_1) has an effect on Increasing Business Sustainability in Medan Petisah District

Business sustainability in Medan Petisah District has a strong positive effect on the Audit Process Evaluation variable as indicated by the calculated t value of 13.416. This can be confirmed by looking at the significance level of 0.000 < threshold of 0.05. According to the book from (Tutut Dewi Astuti, 2024), inadequate audit procedures can cause financial reporting losses for MSMEs. The results of the study are relevant to the research of Laoren Valerina Sinaga (Sinaga et al., 2024) which found that without external evaluation, business operations can result in practices that reduce information and fail to meet accuracy standards.

H2: Tax Compliance (X_2) has an effect on Increasing Business Sustainability in Medan Petisah District

It can be concluded that the t -value of 5.149 > t table 1.65468 with a significance value of 0.000 indicates a significant positive effect between Tax Compliance and Increasing Business Sustainability in Medan Petisah District. According to (Hardiningsih et al., 2021), a low level of tax compliance can create the risk of sanctions and fines that can be detrimental and disrupt the sustainability of a business. The results of this study are in line with the research (Evin Sofianti & Sriyani, 2023) because it affects the financial stability of the business with increasing MSME taxes, the creditworthiness of the business also increases.

H3: The Quality of Financial Disclosure of MSMEs (X_3) has an effect on Increasing Business Sustainability in Medan Petisah District

The t -value of variable X_3 is 3.303 > t table (1.65468) with a significance level of 0.001 where the variable Quality of Financial Disclosure of MSMEs has a significant positive effect on Increasing Business Sustainability in Medan Petisah District. According to (F Suhendra, 2023), financial reports mention several important factors for investors or stakeholders such as Cash, Inventory, and Receivables. This is relevant to research (Ni Nyoman Yuliati et al., 2019), showing that poor financial quality can cause businesses to fail due to fraud, making it difficult for the government to provide assistance to MSME actors.

H4: Risk Management (X_4) has an effect on Increasing Business Sustainability in Medan Petisah District

Based on the calculated t value on the Risk Management variable of 3.008 > t table (1.65468) with a significance level of 0.003, it shows that the X_4 variable has a significant positive effect on Increasing Business Sustainability in Medan District

Petisah. According to (Syarofi, 2022), the word "risk" describes a danger, action or event that can make the desired goal less successful. Research by (Aziz et al., 2024) identified that MSMEs must understand and actively respond to the financial, operational and marketing risks they face if they want to succeed and develop sustainably.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The results of this study led researchers to the following observations:

1. Audit Process Evaluation (X1) has an effect on Increasing Business Sustainability (Y).
2. Tax Compliance (X2) has an effect on Increasing Business Sustainability (Y).
3. The Quality of Financial Disclosure of MSMEs (X3) has an effect on Increasing Business Sustainability (Y).
4. Risk Management (X4) has an effect on Increasing Business Sustainability (Y).

Recommendations

1. Considering the results and conclusions, the researcher provides the following suggestions: 1. For researchers: it is expected that this study can be a basis for other studies. Further research suggests expanding the scope of research, both in terms of region, type of MSME, and more diverse variables.
2. For MSME Actors: it is recommended to be more proactive in improving the quality of disclosure, participating in training related to tax compliance and risk management in order to avoid legal sanctions and implementing internal audit practices to identify risks that occur.
3. For Universitas Prima Indonesia: it is hoped that this study can be a reference and source of information related to the variables studied.
4. For the Government and Other Stakeholders: further increase socialization regarding tax regulations and the importance of audits for MSMEs.

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