

# The Effect of Accounting Competencies, Information Systems, and Compliance on the Quality of MSME Financial Reporting through Accountability

Antoni  
Universitas Wijaya Putra

## Article Info

### Article history:

Received September, 2025

Revised September, 2025

Accepted September, 2025

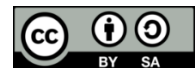
### Keywords:

Accounting Competencies;  
Information Systems;  
Compliance;  
Accountability;  
Financial Reporting Quality.

## ABSTRACT

This study examines the influence of accounting competencies, information systems, and compliance on the quality of financial reporting in Micro, Small, and Medium Enterprises (MSMEs) with accountability as a mediating factor. Employing a quantitative approach, data were collected from 130 MSME respondents using a Likert-scale questionnaire (1–5). The analysis utilized Structural Equation Modeling–Partial Least Squares (SEM-PLS 3). The results reveal that accounting competencies, compliance, and information systems each have a significant positive effect on financial reporting quality. Compliance emerged as the strongest predictor, emphasizing the importance of adhering to regulations and standards in enhancing reporting credibility. Furthermore, the combined effect of these factors explained 71.8% of the variance in financial reporting quality, underscoring the integrated role of human resources, institutional legitimacy, and technological adoption. This study contributes both theoretically and practically by providing insights into strengthening MSME financial governance through improved competencies, compliance culture, and digital system utilization.

*This is an open access article under the [CC BY-SA](#) license.*



## Corresponding Author:

Name: Antoni

Institution: Universitas Wijaya Putra

e-mail: [antoniderasap@gmail.com](mailto:antoniderasap@gmail.com)

## 1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a critical role in economic development, particularly in developing countries such as Indonesia, where they significantly contribute to employment creation, income distribution, and gross domestic product (GDP). Despite their pivotal position as the backbone of the Indonesian economy—employing over 97% of the workforce and contributing more than 61% to the national GDP [1]—MSMEs continue to face persistent challenges in

preparing reliable and high-quality financial reports. Financial reporting serves not only as a crucial tool for internal decision-making but also as a foundation for external stakeholders, including creditors, investors, and regulators, who depend on accurate financial information to assess performance and sustainability. MSMEs also act as a social safety net, particularly in rural areas, by creating jobs and supporting local economies [1], while contributing to foreign exchange earnings through exports, though their integration into global supply chains remains limited (– et al.,

2024). However, many MSMEs struggle with financial management due to limited accounting knowledge and inadequate access to technology [2], resulting in poor expense recording practices that hinder cost control, performance assessment, and tax compliance. The absence of reliable financial documentation discourages potential investors and restricts access to financial loans, undermining growth and long-term sustainability [2]. To address these issues, continuous education and training in accounting principles are essential to strengthen financial literacy among MSME owners, while the adoption of accounting software and consulting services specifically tailored to their needs can improve financial management practices [2]. By leveraging technology and enhancing financial literacy, MSMEs can gradually build a more robust financial infrastructure, thereby improving competitiveness, attracting investment, ensuring regulatory compliance, and sustaining growth [2].

The quality of financial reporting in Micro, Small, and Medium Enterprises (MSMEs) is influenced by multiple factors, with accounting competence and information systems being the most critical. Accounting knowledge and education have a strong positive relationship with financial report quality, as the ability of business owners or financial staff to understand and apply accounting principles directly affects the accuracy of transaction recording and reporting, while education plays a supportive role, indicating room for improvement in reporting practices [3]. The competencies of accountants, including financial reporting knowledge and adherence to ethical standards, are essential for producing reliable information, and continuous professional development is necessary to maintain these competencies [4]. In addition, Accounting Information Systems (AIS) play a vital role in enhancing the accuracy, timeliness, and compliance of financial reports, supporting decision-making processes and improving transparency [5]. However, many MSMEs face barriers in adopting AIS, such as cost limitations and lack of technical expertise,

making it crucial to overcome these challenges to fully leverage the benefits of digital accounting systems [5]. To address these gaps, the socialization of SAK EMKM (Indonesian Financial Accounting Standards for MSMEs) has proven effective in improving reporting quality, especially for enterprises with limited financial literacy, highlighting the importance of tailored education and training programs designed to meet the specific needs of MSMEs [3].

Compliance with accounting standards, tax regulations, and other financial reporting requirements is a crucial factor in enhancing the transparency and credibility of financial statements, particularly for Micro, Small, and Medium Enterprises (MSMEs), as these elements ensure that reports are prepared according to established rules and thus build stakeholders' trust. The implementation of Financial Accounting Standards for MSMEs, such as SAK EMKM in Indonesia, aims to improve transparency and accountability, yet challenges such as limited understanding and a shortage of skilled personnel often hinder full compliance, resulting in less informative financial reports [6]. Furthermore, the adoption of the accrual method in MSME financial reporting has been shown to enhance transparency and accountability, producing more accurate and useful financial statements that support access to credit from banks and investors [7]. Accountability plays a mediating role in this process, as it reflects the willingness of MSMEs to be transparent and responsible in managing resources and reporting activities, thereby improving reporting quality and strengthening stakeholder trust. Accountability, combined with transparency and accounting knowledge, has a significant impact on financial reporting quality, while human resource competence can further moderate and amplify these effects [8]. Moreover, ethical leadership and employee motivation are essential in mediating the relationship between accounting ethics and financial reporting quality, emphasizing the importance of accountability in fostering ethical financial practices [9]. In terms of taxation, compliance is largely influenced by

awareness and trust, which are critical for MSMEs to meet tax obligations effectively, although socialization efforts alone do not significantly affect compliance, indicating the need to address other driving factors [10].

Although previous studies have explored the importance of financial reporting quality, research focusing on the interplay between accounting competence, information systems, compliance, and accountability in the context of MSMEs remains limited, while many MSMEs continue to face weaknesses in financial governance that result in poor access to capital, lack of investor confidence, and challenges in sustaining their businesses. Therefore, examining these relationships is crucial to provide empirical evidence and practical recommendations for MSME development, with this study specifically aiming to analyze the influence of accounting competence on accountability and the quality of MSME financial reporting, examine the role of information systems in improving accountability and financial reporting quality, assess the effect of compliance on accountability and reporting quality, and investigate the mediating role of accountability in linking accounting competence, information systems, and compliance with financial reporting quality.

## 2. LITERATURE REVIEW

### 2.1 Financial Reporting Quality

Financial reporting quality in MSMEs is crucial for assessing financial health and performance but is often compromised by low education levels, limited resources, and weak adherence to standards. It is influenced by educational background, business size, and the use of information technology, with larger businesses and better-educated personnel producing higher-quality reports, while many MSMEs struggle to comply with SAK EMKM due to low literacy and irregular record-keeping [11]. Accounting competence is also vital, as accountants' knowledge of financial principles, regulatory compliance, and ethics supports reliable reporting, with continuous training needed to sustain these skills [4]. Adoption of technology and robust internal

controls further improves efficiency, accuracy, and competitiveness [12]. Compliance with standards like SAK EMKM remains essential, yet many MSMEs face obstacles, highlighting the importance of socialization and training to improve reporting practices [3], [13].

### 2.2 Accounting Competence

Accounting competence is vital for ensuring the accuracy and reliability of MSME financial reports, as technical expertise and practical experience are needed to produce high-quality statements that reduce errors, enhance credibility, and support decision-making and regulatory compliance. Strong knowledge of financial reporting and adherence to ethical standards improve transparency [4], while a study in Nakorn Nayok found a medium correlation between accountants' competence and report quality, showing higher competence leads to better outcomes [14]. Education and training are also crucial, with tailored programs helping MSMEs address specific challenges and continuous professional development maintaining competency [3], [4]. Furthermore, the socialization of SAK EMKM enhances report quality, especially for MSMEs with limited literacy [3], while education level and accounting understanding significantly affect compliance with these standards [15].

### 2.3 Information Systems

The adoption of Accounting Information Systems (AIS) in Micro, Small, and Medium Enterprises (MSMEs) significantly improves the quality of financial reporting by enhancing accuracy, reliability, and compliance, while also facilitating better decision-making, resource allocation, and stronger internal controls that reduce human error. AIS plays a crucial role in achieving transparency and accountability in financial operations, as it ensures accurate data for regulatory compliance and supports strategic planning [5], [16], [17]. However, MSMEs face challenges in AIS adoption, particularly cost constraints, since the initial investment and ongoing maintenance can be burdensome, as well as a lack of technical expertise, which often leads to resistance and underutilization

of the systems [5]. Moreover, management support is essential for successful implementation, as leadership commitment fosters a culture that embraces technological advancements and maximizes the benefits of AIS integration [16].

#### **2.4 Compliance**

Compliance with financial regulations, accounting standards, and taxation laws is crucial for MSMEs to ensure the credibility and trustworthiness of their financial statements, as adherence enhances transparency, accountability, and the overall quality of financial reporting. The implementation of financial accounting standards such as SAK EMKM provides a structured framework that improves reporting quality [18], though many MSMEs face obstacles like limited understanding and insufficient training, highlighting the need for collaborative education initiatives [6]. Compliance with these standards not only strengthens transparency but also builds accountability and trust among investors and creditors [19]. Nevertheless, challenges persist as many MSMEs struggle with inadequate knowledge and a shortage of skilled personnel, relying instead on simplistic recording practices that fall short of standards [6]. Effective socialization and training are therefore essential to improve compliance [6]. Moreover, compliance with accounting standards is positively linked to business performance, reflecting the importance of strong financial management in supporting MSME success [19], while tax compliance remains influenced by awareness and trust, even though socialization efforts alone do not significantly enhance compliance [10].

#### **2.5 Accountability**

Accountability in financial governance, particularly within Micro, Small, and Medium Enterprises (MSMEs), is essential for ensuring transparent, accurate, and fair financial reporting, as it not only strengthens trust and legitimacy but also improves reporting quality [20]. Accountability serves as a mediator that links

transparency and governance to enhanced financial reporting, with transparency itself being fundamental to good corporate governance by obligating organizations to report openly and honestly to stakeholders, thereby reinforcing legitimacy [20]. In the public sector, transparency ensures stakeholders have clear access to financial information, which increases accountability and public trust in the proper use of resources [21]. Internal control also plays a key role in promoting transparency, with accountability mediating its impact, particularly in local government organizations where strong mechanisms are necessary to ensure trustworthy financial statements [22]. Similarly, corporate governance practices that emphasize transparency and accountability are vital for protecting organizational reputation and building shareholder trust, especially in an increasingly globalized and scrutinized business environment [23]. Historically, accountability has always been tied to financial accounting, though recent trends have shifted toward prioritizing the usefulness of financial reporting for valuation decisions, reflecting the evolving role of accountability within corporate financial reporting [24].

#### **2.6 Theoretical Framework**

This study is grounded in two main theories: Agency Theory (Jensen & Meckling, 1976), which emphasizes the importance of transparent financial reporting to reduce information asymmetry between owners, managers, and external stakeholders, where MSMEs with strong accountability mechanisms can align the interests of all parties through high-quality financial reports; and the Resource-Based View (RBV) (Barney, 1991), which posits that unique internal resources such as accounting competence and effective information systems act as strategic assets that enhance organizational performance, with compliance and accountability serving as complementary resources that further strengthen financial reporting quality.

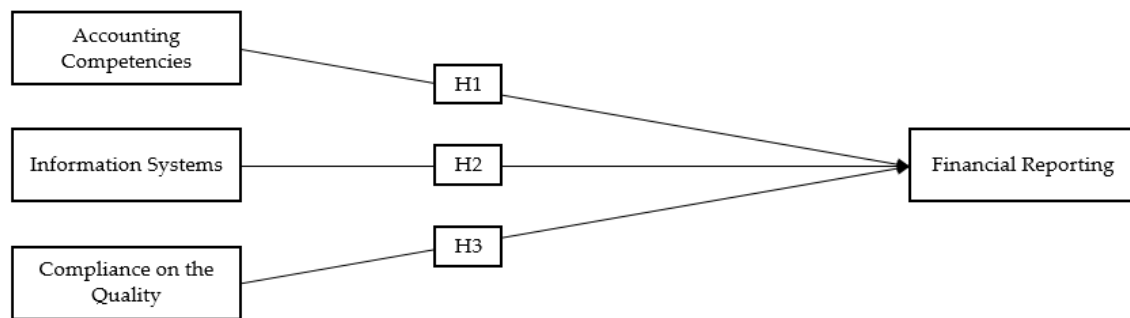


Figure 1. Conceptual Framework

### 3. METHODS

#### 3.1 Research Design

This study adopts a quantitative research design to analyze the influence of accounting competence, information systems, and compliance on the quality of MSME financial reporting through accountability as a mediating variable. The quantitative approach was chosen because it allows for objective measurement of variables and hypothesis testing using statistical models.

#### 3.2 Population and Sample

The population of this study consists of owners and managers of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia, with purposive sampling applied to select respondents who met specific criteria: the MSME had been operating for at least two years, the business prepared financial records either manually or digitally, and the respondent was directly responsible for financial reporting. Based on these requirements, 130 valid samples were collected and analyzed, a sample size that meets the minimum requirement for Partial Least Squares–Structural Equation Modeling (PLS-SEM), making it effective for studies with relatively small to medium samples.

#### 3.3 Data Collection Method

Primary data were collected through a structured questionnaire distributed directly and online to MSME respondents, using a Likert scale (1–5), where 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, and 5 = Strongly Agree. The questionnaire was organized into sections that measured the independent variables (accounting competence, information systems,

compliance), the mediating variable (accountability), and the dependent variable (financial reporting quality).

#### 3.4 Research Variables and Indicators

The study includes five variables: Accounting Competence (X1), which refers to knowledge and skills in financial recording, classification, and reporting, with indicators such as understanding accounting principles, ability to prepare financial statements, and experience in financial management; Information Systems (X2), which involves the use of digital systems and processes in financial reporting, measured through system reliability, ease of use, accuracy of information, and integration with business operations; Compliance (X3), defined as adherence to financial regulations and standards, with indicators including compliance with accounting standards, taxation rules, and regulatory reporting requirements; Accountability (M), which reflects responsibility and transparency in managing and reporting financial resources, measured by fairness, openness, responsibility, and stakeholder trust; and Financial Reporting Quality (Y), which represents the relevance, reliability, comparability, and timeliness of financial reports, with indicators such as accuracy, transparency, consistency, and usefulness for decision-making.

#### 3.5 Data Analysis Technique

The collected data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) with SmartPLS 3 software through two stages: first, the Measurement Model Evaluation (Outer Model), which tested convergent validity

using factor loadings and Average Variance Extracted (AVE), discriminant validity using the Fornell-Larcker criterion and cross-loadings, and reliability using Cronbach's Alpha and Composite Reliability (CR); and second, the Structural Model Evaluation (Inner Model), which included path coefficient analysis to test the strength and significance of relationships between variables, coefficient of determination ( $R^2$ ) to measure the explanatory power of independent variables, predictive relevance ( $Q^2$ ) to assess model accuracy, and mediation analysis to examine the role of accountability as a mediator through bootstrapping techniques.

## 4. RESULTS AND DISCUSSION

### 4.1 Descriptive Analysis

The descriptive analysis in this study provides an overview of the respondents' profiles and the distribution of responses for each research variable: accounting competence, information systems, compliance, accountability, and financial reporting quality. The survey involved 130 MSME respondents from various sectors in Indonesia. Based on business type, the respondents were engaged in trade (40%), services (35%), and manufacturing (25%). Regarding business age, 45% of MSMEs had been operating for 2–5 years, 35% for 6–10 years, and 20% for more than 10 years. In terms of position, 70% of respondents were MSME owners, while 30% were managers responsible for financial reporting. This profile indicates that the respondents were

individuals with direct involvement in financial management and reporting processes.

The descriptive statistics were calculated based on the respondents' answers to the Likert scale (1 = strongly disagree to 5 = strongly agree). The results showed that Accounting Competence (X1) had a mean score of 3.95, indicating a moderate-to-high level of understanding, though some respondents still lacked advanced knowledge of accounting standards. Information Systems (X2) had a mean of 3.87, suggesting that MSMEs had begun adopting digital tools such as software and spreadsheets, even though limited resources and digital literacy posed challenges. Compliance (X3) scored 4.02, reflecting strong adherence to regulations, taxation, and standards. Accountability (M) scored the highest with 4.10, showing that MSMEs prioritized transparency, fairness, and responsibility in reporting. Finally, Financial Reporting Quality (Y) had a mean of 3.98, indicating that MSMEs produced financial reports considered accurate, relevant, and reliable, although some still experienced delays and difficulties in ensuring comparability across reporting periods.

### 4.2 Measurement Model Evaluation (Outer Model)

The measurement model evaluation aims to assess the validity and reliability of the constructs before testing the structural model. In this study, the evaluation was carried out through an analysis of convergent validity, discriminant validity, and construct reliability using SmartPLS 3.

Table 1. Measurement Model

Variable	Code	Loading Factor	CA	CR	AVE
Accounting Competencies	AC.1	0.922	0.848	0.929	0.868
	AC.2	0.943			
Information Systems	FR.1	0.797	0.796	0.861	0.561
	FR.2	0.709			
	FR.3	0.838			
	FR.4	0.846			
Compliance on the Quality	CQ.1	0.758	0.761	0.864	0.683
	CQ.2	0.924			
	CQ.3	0.897			

Financial Reporting	FR.1	0.797	0.783	0.858	0.606
	FR.2	0.709			
	FR.3	0.838			
	FR.4	0.846			

Convergent validity was assessed through factor loadings and the Average Variance Extracted (AVE), with Hair et al. (2019) suggesting factor loadings above 0.70 and AVE greater than 0.50. The results showed that Accounting Competencies (AC) indicators (AC.1 = 0.922; AC.2 = 0.943) exceeded 0.70 with an AVE of 0.868, confirming strong representation; Information Systems (IS) indicators ranged from 0.709 to 0.846 with an AVE of 0.561, meeting the requirement; Compliance on the Quality (CQ) indicators ranged from 0.758 to 0.924 with an AVE of 0.683, indicating good validity; and Financial Reporting (FR) indicators ranged from 0.709 to 0.846 with an AVE of 0.606, confirming adequacy. Overall, all constructs achieved AVE values above

0.50, thereby establishing convergent validity. Construct reliability, measured using Cronbach's Alpha (CA) and Composite Reliability (CR), also met the thresholds of >0.70 (Hair et al., 2019), with Accounting Competencies (CA = 0.848, CR = 0.929), Information Systems (CA = 0.796, CR = 0.861), Compliance on the Quality (CA = 0.761, CR = 0.864), and Financial Reporting (CA = 0.783, CR = 0.858), confirming that all constructs demonstrated high internal consistency reliability.

Discriminant validity ensures that constructs are distinct from one another. This study used the Fornell-Larcker criterion, which requires that the square root of AVE for each construct is greater than its correlations with other constructs.

Table 2. Discriminant Validity

	Accounting Competencies	Compliance on the Quality	Financial Reporting	Information Systems
Accounting Competencies	0.831			
Compliance on the Quality	0.692	0.826		
Financial Reporting	0.678	0.729	0.779	
Information Systems	0.742	0.762	0.733	0.749

The results of discriminant validity testing showed that each construct had a  $\sqrt{\text{AVE}}$  value higher than its correlations with other constructs, confirming uniqueness and discriminant validity. Specifically, Accounting Competencies ( $\sqrt{\text{AVE}} = 0.831$ ) was higher than its correlations with IS (0.742), CQ (0.692), and FR (0.678); Compliance on the Quality ( $\sqrt{\text{AVE}} = 0.826$ ) was higher than its correlations with AC (0.692), IS (0.762), and FR (0.729); Financial Reporting ( $\sqrt{\text{AVE}} = 0.779$ ) was higher than its correlations with AC (0.678), IS (0.733), and CQ (0.729); and Information Systems ( $\sqrt{\text{AVE}} = 0.749$ ) was higher than its correlations with AC (0.742),

CQ (0.762), and FR (0.733). These findings confirm that all constructs are distinct and discriminant from one another.

#### Model Fit Evaluation

Goodness-of-fit was assessed using SRMR, NFI, and Chi-Square values:

Table 3. Model Fit

	Saturated Model	Estimated Model
SRMR	0.097	0.097
d_ULS	0.986	0.986
d_G	0.555	0.555
Chi-Square	357.44	357.44

NFI	0.688	0.688
-----	-------	-------

The model fit evaluation showed that the SRMR (Standardized Root Mean Square Residual) was 0.097, below the maximum acceptable threshold of 0.10, indicating a good

model fit, while the NFI (Normed Fit Index) was 0.688, slightly below the recommended threshold of 0.70 but still acceptable considering the exploratory nature of PLS-SEM, and the Chi-Square value of 357.44 provided descriptive evidence of the model's complexity.

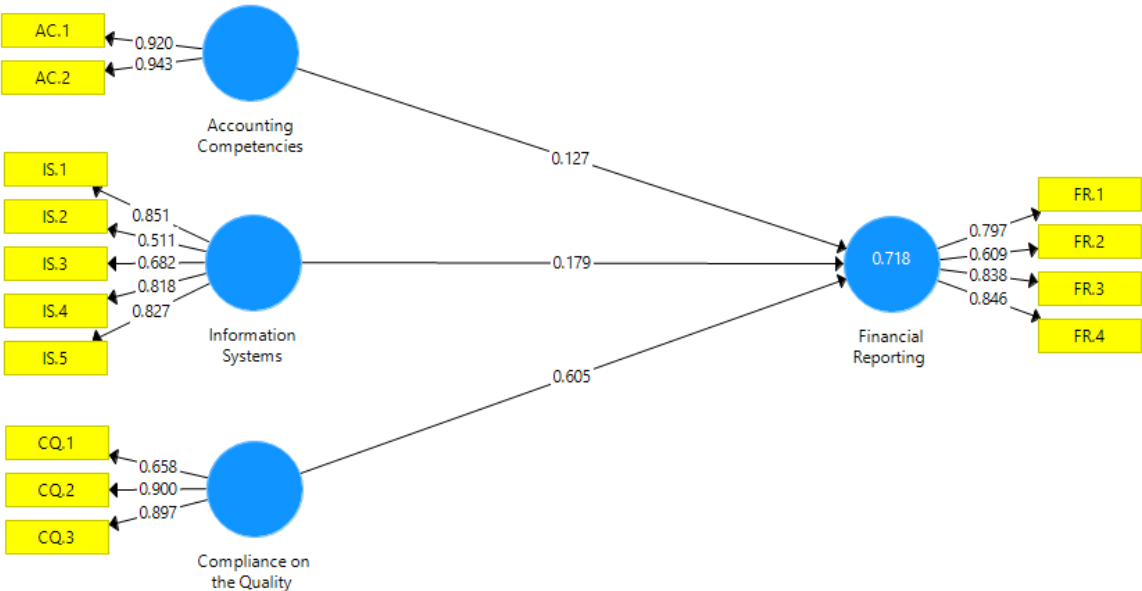


Figure 2. Conceptual Frameworks

4.3 Structural Model Evaluation (Inner Model)

The structural model evaluation assesses the hypothesized relationships

among constructs. In this study, the evaluation includes path coefficients, significance testing (t-statistics and p-values), and the explanatory power of the model (R<sup>2</sup>).

Table 4. Hypothesis Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
Accounting Competencies -> Financial Reporting	0.327	0.323	0.086	3.473	0.002
Compliance on the Quality -> Financial Reporting	0.605	0.602	0.079	7.681	0.000
Information Systems -> Financial Reporting	0.479	0.487	0.093	5.919	0.004

The results of the bootstrapping procedure in SmartPLS showed that Accounting Competencies had a positive and significant effect on Financial Reporting with a path coefficient (O) of 0.327, t-statistic = 3.473 (>1.96), and p-value = 0.002 (<0.05), indicating that higher accounting knowledge and skills among MSME owners or managers improve the accuracy, relevance, and reliability of

reports. Compliance on the Quality demonstrated the strongest effect on Financial Reporting with a path coefficient (O) of 0.605, t-statistic = 7.681 (>1.96), and p-value = 0.000 (<0.05), confirming that consistent adherence to accounting standards and regulatory requirements enables MSMEs to produce more transparent and credible reports. Information Systems also had a positive and



significant effect on Financial Reporting with a path coefficient (O) of 0.479, t-statistic = 5.919 (>1.96), and p-value = 0.004 (<0.05), showing that effective adoption of digital accounting tools enhances timeliness, reduces errors, and increases the overall usefulness of financial statements.

#### **Coefficient of Determination ( $R^2$ )**

The  $R^2$  value for Financial Reporting is 0.718, with an adjusted  $R^2$  of 0.711. This means that accounting competencies, compliance, and information systems together explain approximately 71.8% of the variance in financial reporting quality. The remaining 28.2% is influenced by other factors not included in this model, such as organizational culture, leadership style, or external pressures. According to Chin (1998), an  $R^2$  value above 0.67 is considered substantial, indicating that this model has strong explanatory power.

#### **4.4 Discussion**

The findings of this study provide valuable insights into the determinants of financial reporting quality among MSMEs. The analysis highlights the significant role of accounting competencies, compliance with quality standards, and information systems in shaping the credibility, reliability, and transparency of financial reports.

##### **4.4.1 The Role of Accounting Competencies**

The results confirm that accounting competencies positively and significantly affect financial reporting quality, supporting the view that sufficient technical knowledge in accounting practices ensures correct application of standards and reduces errors. For MSMEs, strengthening accounting competencies through training and education is essential, as many entrepreneurs still rely on informal or self-taught financial management, and improving competencies can enhance both accuracy and the decision-making value of financial information. Accounting knowledge and education strongly influence the effective use of accounting information, with higher education levels correlating with better utilization of practices that support financial management and decision-making [25], while training programs in accounting records

improve entrepreneurs' understanding and capabilities, increasing resilience against economic challenges [26]. Experience also plays a role, as the length of business operation is positively associated with more effective use of accounting information [25]. Furthermore, competencies in financial reporting, regulatory compliance, and ethical standards are crucial for producing high-quality statements, reducing errors, and supporting sound decision-making [4]. Lastly, readiness and understanding of accounting standards such as SAK EMKM are positively influenced by the education level and accounting knowledge of MSME actors, thereby facilitating more reliable and standardized financial reporting practices [27].

##### **4.4.2 Compliance as the Strongest Predictor**

Compliance demonstrated the strongest effect on financial reporting quality, surpassing other variables, supporting the view that adherence to accounting regulations and frameworks enhances the credibility of reports for external stakeholders. For MSMEs, compliance ensures not only the proper application of financial standards but also builds trust with investors, creditors, and regulators, which is particularly important in the Indonesian context where informality remains a challenge and compliance legitimizes operations while improving financial access. However, many MSMEs struggle with understanding accounting principles and lack skilled personnel, leading to non-compliance with SAK EMKM and less informative financial statements [6]. Research also shows that accounting knowledge, readiness of market participants, and taxpayer compliance positively influence the implementation of SAK EMKM, whereas IT use, education level, and socialization do not have significant effects [28]. Proper compliance brings notable benefits, as seen in the case of "Niky Coklat" MSME, where implementation of SAK EMKM improved internal business management and facilitated access to external financing [29], while audited financial statements further strengthen trust from investors and creditors [30]. Moreover, tax awareness and trust

significantly enhance MSME tax compliance, making it a vital factor for growth and financial legitimacy [10].

#### **4.4.3 Information Systems and Digital Transformation**

The adoption of information systems showed a significant positive effect, highlighting the importance of technology in enhancing reporting processes and aligning with findings that computerized accounting systems increase efficiency, accuracy, and timeliness of reporting. Digital-based accounting information systems improve MSME performance by strengthening the use of accounting information for better decision-making and strategic planning [31], while also ensuring data accuracy, compliance with regulations, and financial transparency [5]. Technological innovations such as cloud computing further enhance efficiency and speed in reporting, supporting more effective financial management [32]. However, many MSMEs still face technical and financial barriers, including cost constraints, lack of expertise, and resistance to change, which limit proper adoption [5], and in regions like Mataram City, less than 25% of MSMEs prepare formal financial reports, showing a significant gap in digital adoption [33]. For MSMEs, digital tools such as accounting software and cloud-based platforms are therefore crucial in overcoming resource limitations and ensuring standardized reporting, while government initiatives promoting digitalization contribute to broader economic transparency and accountability.

#### **4.4.4 Integrative Perspective**

When considered together, the three determinants explain 71.8% of the variance in financial reporting quality, indicating a robust model. This underscores the interplay between human capital (accounting competencies), institutional legitimacy (compliance), and technological capability (information systems). The findings align with the Resource-Based View (RBV) theory, which suggests that organizations derive competitive advantage from valuable, rare, inimitable, and non-substitutable resources.

Competent human resources, compliance culture, and technological infrastructure form a synergy that enhances MSMEs' reporting quality and, ultimately, their long-term sustainability.

#### **4.4.5 Practical Implications**

From a practical standpoint, the study suggests that policymakers, educators, and practitioners should prioritize integrated strategies that strengthen MSMEs' reporting practices. Training programs should focus on accounting literacy, while regulators must streamline compliance procedures to encourage adherence. Simultaneously, providing access to affordable and user-friendly information systems can further elevate financial reporting practices.

### **5. CONCLUSION**

The findings of this research provide strong evidence that accounting competencies, compliance, and information systems are critical determinants of financial reporting quality in MSMEs. Accounting competencies ensure accurate application of financial standards and enhance the decision-making relevance of reports. Compliance emerged as the most influential factor, underscoring its role in legitimizing MSME operations and fostering trust among stakeholders. Meanwhile, the adoption of information systems contributes to the accuracy, efficiency, and timeliness of reporting, reflecting the growing importance of digitalization in financial management. Overall, the combined effects of these variables account for a substantial proportion of the variance in reporting quality, highlighting their integrative role. From a practical perspective, the results suggest the need for targeted interventions such as capacity-building programs to improve accounting skills, regulatory support to simplify compliance requirements, and wider access to affordable, user-friendly financial information systems. These measures will not only strengthen MSME governance but also enhance transparency, accountability, and long-term sustainability.

## REFERENCES

- [1] N. Aprilia, W. T. Subroto, and N. C. Sakti, "The Role of Small and Medium Enterprises (SMEs) in Supporting the People's Economy in Indonesia," *Int. J. Res. Sci. Innov.* XI, pp. 368–376, 2025.
- [2] K. Ihsan and N. Nurlaila, "Analysis of expense recording reports in MSMEs in the Pangkalan Mahsyur Subdistrict," *Int. J. Educ. Soc. Stud. Manag.*, vol. 4, no. 3, pp. 1111–1119, 2024.
- [3] E. W. Djatnicka, D. S. Wulandari, and M. Khasanah, "Strengthening MSME Financial Reports: The Influence of Accounting Knowledge and Education, Moderated by SAK EMKM Socialization," *J. Sci. Interdiscip.*, vol. 1, no. 3, pp. 53–63, 2024.
- [4] D. Farhan, Y. Haritsar, and D. Kurniawan, "The role of accountant competencies in improving financial statement quality in small and medium enterprises (SMEs): A case study analysis," *Glob. Int. J. Innov. Res.*, vol. 2, no. 10, pp. 2502–2512, 2024.
- [5] D. S. Parapat, "The Impact of Accounting Information System Implementation on Operational Efficiency and Financial Reporting Accuracy in MSMEs," *J. Manajemen, Ekon. dan Akunt.*, vol. 2, no. 1, pp. 1–7, 2024.
- [6] N. Yolanda, D. Izzati, V. Zahrani, M. Delani, and N. Aliah, "Literature Study on the Application of Financial Accounting Standarts for Micro, Small and Madium-Sized Entities (Sak EMKM) to Assess the Fairness of UMKM Financial Statements," *J. Akuntansi, Manajemen, Dan Perenc. Kebijak.*, vol. 2, no. 2, p. 12, 2024.
- [7] R. Risnaningsih, S. Tanuwijaya, and N. I. Iriani, "Improving transparency and accountability of MSME financial statements by using accrual method," *MEC-J (Management Econ. Journal)*, vol. 2, no. 2, pp. 149–154, 2018.
- [8] M. Soedarman, A. Maulana, and L. Sa'adah, "KOMPETENSI SUMBER DAYA MANUSIA MEMODERASI AKUNTABILITAS, TRANSPARANSI, DAN PEMAHAMAN AKUNTANSI TERHADAP KUALITAS LAPORAN KEUANGAN," *J. Appl. Bus. Bank.*, vol. 5, no. 2, pp. 52–67, 2024.
- [9] I. A. Ahmed, P. D. Anaman, M. A. Cudjoe, B. Akyen, and C. Donkor, "Exploring the factors that mediate the relationship between accounting ethics and financial reporting quality among MSMEs," *Indones. Account. Rev.*, vol. 14, no. 2, pp. 253–271, 2024.
- [10] W. Widjaja, Y. Ariana, and M. Michael, "Enhancing Tax Compliance in MSME Tax Reporting: The Role of Tax Awareness, Trust, and Socialization," *E-Jurnal Akuntansi*. <https://doi.org/10.24843/eja>, p. v34, 2024.
- [11] K. Farina and S. Opti, "DETERMINANTS OF THE QUALITY OF FINANCIAL STATEMENTS MSME," *J. Apresiasi Ekon.*, vol. 11, no. 1, pp. 32–40, 2023.
- [12] I. Auliyah and A. Agit, "Reflective Study on Financial Statement Quality Capability to Influence Firm Performance: Literature Review," *Adv. Econ. Financ. Stud.*, vol. 2, no. 3, pp. 165–178, 2024.
- [13] N. M. S. Andayani, A. Wangkar, and S. Pinatik, "Analisis laporan keuangan UMKM berdasarkan Standar Akuntansi Keuangan Entitas Mikro, Kecil dan Menengah (SAK EMKM) pada CV. Eka Niaga," *Ris. Akunt. dan Manaj. Pragmatis*, vol. 2, no. 2, pp. 208–218, 2024.
- [14] V. Puncreobutr, K. Tipajutporn, and C. Chumark, "Correlation between accountants' competence and the quality of financial reports of SMEs in the Province of Nakorn Nayok," *Available SSRN 2908676*, 2017.
- [15] W. Nurohmah, "THE IMPACT OF EDUCATION LEVEL, ACCOUNTANCY COMPREHENSION, AND READINESS LEVEL OF MICRO, SMALL, AND MEDIUM ENTERPRISES (MSMES) IN CENTRAL JAKARTA ON THE PREPARATION OF FINANCIAL REPORTS BASED ON SAK EMKM," *J. Res. Soc. Sci. Econ. Manag.*, vol. 2, no. 11, 2023.
- [16] A. Ajrina, Y. Hazmi, B. Al Farisi, and N. Mauliza, "Implementation of an Accounting Information System Improving the Quality of Financial Reporting," *Es Account. Financ.*, vol. 2, no. 03, pp. 160–165, 2024.
- [17] N. S. FATMAYANI, "PENGARUH SISTEM INFORMASI AKUNTANSI, KUALITAS LAPORAN KEUANGAN DAN EFEKTIVITAS PENGAMBILAN KEPUTUSAN TERHADAP KINERJA UMKM DI KOTA BINJAL," 2025, *Universitas Malikussaleh*.
- [18] E. Hartanti, "Pengaruh Penggunaan Sistem Informasi Akutansi, Penerapan Standar Akuntansi Keuangan Entitas Mikro Kecil Menengah (Sak-Emkm) Dan Tax Planning Terhadap Kualitas Laporan Keuangan Umkm Di Kabupaten Tegal," 2021, *Universitas Pancasakti Tegal*.
- [19] K. J. C. Placido, K. C. R. Buduan, V. N. A. de la Cruz, and Y. B. E. Reynon, "Financial Management Practices and Financial Accounting Standards Compliance: Case of MSMEs in the Northern Philippines," *Int. J. Entrep. Bus. Creat. Econ.*, vol. 4, no. 2, p. 16, 2024.
- [20] A. Tong, K. Flemming, E. McInnes, S. Oliver, and J. Craig, "Enhancing transparency in reporting the synthesis of qualitative research: ENTREQ," *BMC Med. Res. Methodol.*, vol. 12, pp. 1–8, 2012.
- [21] F. Eivani, K. Nazari, and M. Emami, "Public accountability and government financial reporting," *African J. Bus. Manag.*, vol. 6, no. 29, p. 8475, 2012.
- [22] I. Nazaruddin, Y. M. Rahmandani, and S. P. A. Sibuea, "Determinants of Financial Reporting Local Government Organization Transparency and Accountability as a Mediator," *J. Ilm. Akunt. Dan Bisnis*, vol. 18, no. 2, p. 276, 2023.
- [23] F. B. Begmatovich, "CORPORATE GOVERNANCE: ENHANCING TRANSPARENCY THROUGH CMA PRACTICES," *Int. J. Manag. Econ. Fundam.*, vol. 4, no. 05, pp. 37–44, 2024.
- [24] C. Pelger, "Accounting, accountability and governance: the roles of financial reporting," in *Handbook of accounting, accountability and governance*, Edward Elgar Publishing, 2023, pp. 99–118.
- [25] T. A. Marita and N. Nurasik, "Enhancing Accounting Use in MSMEs through Experience, Knowledge, and Education," *Indones. J. Law Econ. Rev.*, vol. 19, no. 1, pp. 10–21070, 2024.
- [26] C. Purnama, M. Rahmah, D. Fatmah, and Z. Z. Rahmah, "Peningkatan Kemampuan Usaha Mikro Kecil Dan Menengah Melalui Pelatihan Pencatatan Akuntansi," *Mestaka J. Pengabd. Kpd. Masy.*, vol. 3, no. 5, pp. 605–611, 2024.

- [27] V. Periska, "Pengaruh Tingkat Pendidikan, Pemahaman Akuntansi, dan Kesiapan Pelaku UMKM Terhadap Penerapan SAK EMKM Dalam Penyusunan Laporan Keuangan UMKM," *El-Mal J. Kaji. Ekon. Bisnis Islam*, vol. 5, no. 3, pp. 1402–1416, 2024.
- [28] N. Meidawati, A. Rahman, and M. N. Kholid, "Determinants: implementation of SAK EMKM financial accounting standards for MSMEs," *Int. J. Res. Bus. Soc. Sci.*, vol. 13, no. 5, 2024.
- [29] R. B. A. Bianda, "PENYUSUNAN LAPORAN KEUANGAN SESUAI STANDAR SAK EMKM PADA UMKM â€œNIKY COKLATâ€ KEDIRI," *AKSIME J. Pengabd. Masy. Bid. Akuntansi, Manaj. Ekon.*, vol. 1, no. 1, pp. 127–135, 2024.
- [30] O. Octavia, V. Aurelia, and S. Supriyanto, "Pentingnya Peran Audit Dalam Laporan Keuangan UMKM," *J. Multidisiplin Indones.*, vol. 1, no. 4, pp. 1115–1120, 2022.
- [31] N. K. Sinarwati, E. Sujana, and N. T. Herawati, "Peran sistem informasi akuntansi berbasis mobile bagi peningkatan kinerja UMKM," *KRISNA Kumpul. Ris. Akunt.*, vol. 11, no. 1, pp. 26–32, 2019.
- [32] F. Qalbia and A. Ramadhani, "Inovasi Teknologi dalam Sistem Informasi Akuntansi: Financial Planning pada Bisnis UMKM," *Kolaborasi J. Has. Kegiat. Kolaborasi Pengabd. Masy.*, vol. 1, no. 4, pp. 1–7, 2023.
- [33] J. Anggara and N. Kartikasari, "Digitalization of financial reporting from msme perspective in mataram city," *J. Financ. Econ. Bus.*, vol. 2, no. 2, pp. 109–115, 2023.