

# The Role of Simple Accounting in Promoting Accountability and Sustainability of SMEs in *Pesantren* Environments

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## Abstract

This study investigates the influence of simple accounting records, accounting literacy, access to capital, and the use of accounting technology on the accountability and sustainability of small and medium enterprises (SMEs) operating within *pesantren* environments in Kuningan Regency. Employing a quantitative research design with a survey methodology, data were collected from 152 SME owners or managers engaged in financial decision-making, selected through purposive sampling. The data were analyzed using Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) method. The empirical findings indicate that all examined factors, namely simple accounting practices, accounting literacy, capital access, and the use of accounting technology, positively contribute to enhancing both accountability and sustainability among SMEs in the *pesantren* context. These results underscore the importance of strengthening financial literacy and embracing technological tools to foster sustainable business practices. As one of the pioneering studies to explore the intersection of accounting practices and SME sustainability within Islamic boarding school (*pesantren*) environments, this research offers novel insights into the adaptation of financial management strategies to culturally and institutionally distinct settings.



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## Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in Indonesia's economy, contributing more than 60 percent to the national Gross Domestic Product (GDP) and employing around 97 percent of the workforce. Amid global economic uncertainty, MSMEs have proven to be a pillar of national economic stability. Beyond their macroeconomic impact, MSMEs drive regional economic growth, including in Kuningan Regency, West Java Province. This regency is known for its diverse MSME sectors, including handicrafts, fashion, and local culinary products (Hamzah et al., 2024). Increasing public awareness of economic self-sufficiency, supported by proactive local government initiatives and community engagement, has accelerated MSME development in the region. The growing tourism sector in Kuningan has further increased demand for MSME products, opening new opportunities for business expansion.

One distinctive socio-economic context worth further exploration is the *pesantren* (Islamic boarding school) community. Traditionally recognized as centers for religious and moral education, *pesantren* have evolved into hubs for community-based economic activity. MSMEs within *pesantren* typically engage in halal food production, Islamic fashion, and other local products that reflect Islamic values. These businesses not only support the local economy but also help sustain the operational needs of the *pesantren* (Martika et

al., 2024). In this context, *pesantren*-based MSMEs represent an Islamic value-based economic model emphasizing honesty, blessings (*barakah*), and justice.

However, *pesantren*-based MSMEs face serious challenges, particularly in financial management. Most entrepreneurs still use manual bookkeeping methods, posing risks such as recording errors, a lack of transparency, and difficulty objectively evaluating business performance. The absence of structured financial reporting, especially reports aligned with SAK ETAP (Financial Accounting Standards for Entities Without Public Accountability), exacerbates the problem (Nurhayati et al., 2023). Low accounting literacy is a key obstacle to effective financial management. Many MSME owners lack understanding of basic accounting concepts such as assets, liabilities, revenue, and expenses. As a result, business decisions are often based on intuition or personal experience rather than accurate financial data (Rita et al., 2024). Additionally, limited access to financing is another critical issue. Although micro-financing programs are available from the government and financial institutions, many MSMEs fail to meet administrative requirements due to the absence of complete financial statements or unfamiliarity with loan application procedures (Hamzah et al., 2020).

Adoption of accounting technology remains low. Many MSME actors are reluctant to shift from manual to digital systems due to limited digital literacy, the perceived high cost of software, and a lack of training. In reality, appropriate accounting technology can significantly enhance efficiency, reduce errors, and strengthen financial accountability (Agustina et al., 2021). These issues are even more complex in *pesantren*-based MSMEs. In addition to general challenges, entrepreneurs in *pesantren* often integrate Islamic values into their business decisions, which influence financial practices and growth strategies (Pangestuti et al., 2024). Values such as *barakah*, social responsibility, and justice in economic transactions (*muamalah*) shape a business character distinct from non-*pesantren* MSMEs. This calls for a more holistic and contextual research approach to understand the financial dynamics of *pesantren*-based MSMEs (Hamzah et al., 2023).

Kuningan Regency has been chosen as the research site for two key characteristics: (1) a high and diverse concentration of MSMEs, and (2) numerous *pesantren* actively involved in social and economic activities. This setting provides an ideal context for comparing *pesantren*-based and non-*pesantren* MSMEs regarding financial literacy, accountability, and business sustainability. Furthermore, strong support from local government, Islamic cooperatives, and higher education institutions enhances the viability of this research location.

*Pesantren*-based MSMEs differ significantly from their non-*pesantren* counterparts. Generally, *pesantren*-based MSMEs are not solely profit-oriented but also emphasize Islamic values such as honesty, *barakah*, social responsibility, and justice in transactions. Their business goals often include supporting *pesantren* operations and community welfare. Decision-making tends to be collective and considers religious aspects, unlike non-*pesantren* MSMEs, which are more pragmatic and focused on efficiency and business growth. Regarding technology use and accounting practices, *pesantren*-based MSMEs still rely on manual recording methods and exhibit lower technology adoption than non-*pesantren* MSMEs, some of which have started implementing digital financial systems. These differences highlight the need for a more contextual approach to enhancing accounting capacity and financial literacy, particularly among *pesantren*-based MSMEs.

Literature indicates that sound bookkeeping practices, adequate financial literacy, and adopting accounting technology are critical factors for MSME accountability and sustainability (Shields et al., 2024; Hamzah et al., 2024). Stress that MSME actors' lack of understanding of basic accounting concepts directly affects their ability to manage capital and produce financial reports, ultimately influencing their access to funding. Meanwhile, Choowan et al. (2025) highlight the importance of strengthening managerial capacities among community-based MSMEs, including *pesantren*, to enhance long-term competitiveness and sustainability. However, existing studies have yet to specifically explore the distinct characteristics,

challenges, and potentials of *pesantren*-based MSMEs, particularly regarding how Islamic values influence financial practices.

Based on the background and literature review above, this study aims to analyze the influence of bookkeeping practices, accounting literacy, access to capital, and adoption of accounting technology on the accountability and sustainability of MSMEs in Kuningan Regency. Specifically, the research will compare *pesantren*-based and non-*pesantren* MSMEs to identify unique characteristics, specific challenges, and the contribution of Islamic values to financial decision-making. Using a mixed-methods approach and in-depth qualitative interviews, this study is expected to offer theoretical and practical contributions toward developing a contextual, value-based model for MSME empowerment.

## Literature Review

Stakeholder Theory, developed by Edward Freeman in 1984, emphasizes that organizations should consider the interests of all stakeholders, individuals or groups directly or indirectly affected by the organization's activities, such as employees, customers, suppliers, communities, governments, and shareholders. This theory encourages broader accountability, suggesting that long-term sustainability is best achieved by creating value for all stakeholders, rather than focusing solely on shareholder profit (Rintala et al., 2022).

This perspective is particularly relevant in the context of small and medium enterprises (SMEs) operating within *pesantren* environments. In such settings, transparency and accountability in financial reporting are instrumental in securing external support (e.g., from financial institutions or government bodies) and maintaining trust with local communities, alumni, and internal stakeholders of the *pesantren* itself. Applying stakeholder theory enables *pesantren*-based SMEs to develop ethical, sustainable, and inclusive business models that serve the broader goals of socio-economic development.

From the Islamic finance perspective, stakeholder theory resonates with foundational principles of shariah governance, including justice (*al-'adl*), transparency (*al-shafafiyah*), and accountability (*mas'uliyah*). Modern Islamic accounting literature underlines the importance of integrating religious ethics into financial practices. For example, Msomi et al. (2023) argued that Islamic accounting must go beyond compliance and incorporate mutual benefit and socio-economic justice values. Moreover, Hamzah et al. (2025) highlighted that Islamic-oriented SMEs tend to emphasize ethical disclosure and community responsibility in their financial reporting, reflecting values rooted in the Qur'an and Sunnah. These principles strengthen trust (*amanah*) in stakeholder relationships, particularly in institutions like *pesantren*, where religious leadership is central in guiding economic activity.

Hidayah et al. (2023) explored how sharia-compliant financial reporting practices improve stakeholder engagement and long-term performance in Muslim-majority countries like Malaysia, Indonesia, and Pakistan. The MAIS (*Majlis Agama Islam Selangor*) model in Malaysia demonstrates how shariah-compliant microfinance and accounting mechanisms support Islamic SMEs by combining Islamic ethics with modern financial accountability standards. These models have shown that integrating Islamic principles into accounting practices enhances stakeholder trust and sustainable business practices. In Indonesia, *pesantren*-based SMEs have begun adopting simple accounting tools with a shariah lens to fulfill operational needs and ethical obligations. This includes using zakat accounting, ethical profit-sharing (*mudharabah* and *musyarakah*), and avoiding *riba*-based transactions. Meanwhile, in countries like Pakistan and Bangladesh, similar integration of Islamic microfinance and ethical accounting frameworks has led to increased stakeholder participation and institutional trust (Rita et al., 2024). Therefore, embedding Islamic financial principles into the stakeholder framework enhances the spiritual and social dimensions of accountability. This supports the financial sustainability of SMEs and aligns with the *maqasid al-shariah* (objectives of Islamic law), particularly in promoting welfare, justice, and trustworthiness in business.

### **The Influence of Simple Accounting on SMEs' Accountability and Sustainability**

Simple accounting records are crucial in enhancing the accountability and sustainability of SMEs, especially in *pesantren* environments. Organized accounting allows business owners to monitor cash flow, revenues, and expenditures effectively. This improves transparency and enables stakeholders, such as financial institutions and investors, to assess the business's financial health objectively. In *pesantren* environments, where members of the religious education community own many SMEs, ensuring clear financial records for accountability is essential, given the limited access to information and more formal accounting training. On the other hand, business sustainability is heavily reliant on good financial management. Systematic record-keeping gives business owners a clear picture of their financial performance and allows them to plan for expansion and allocate resources more efficiently. With a solid understanding of finances, SMEs are better equipped to identify financial issues early and manage cash flow to remain operational in the long term.

This study hypothesizes that simple accounting records positively impact the accountability and sustainability of SMEs in *pesantren* environments because structured record-keeping enhances transparency and supports more effective financial planning. Simple accounting records help SMEs monitor their finances more regularly, increasing stakeholder accountability. A study by Ariningrum et al. (2021) showed that systematic record-keeping can enhance investor and financial institution confidence in the business's condition, thereby strengthening financial transparency and accountability. Effective financial record-keeping also supports long-term business sustainability by enabling business owners to plan resource management more optimally. Ahmad (2024) found that businesses that implement simple accounting records tend to survive longer because they can manage cash flow more effectively, reduce financial risks, and maintain business operations.

H1a. Simple accounting records positively affect the accountability of SMEs.

H1b. Simple accounting records positively affect the sustainability of SMEs.

### **The Influence of Accounting Literacy on SMEs' Accountability and Sustainability**

Accounting literacy significantly enhances the accountability and sustainability of SMEs. With sufficient knowledge of basic accounting principles, business owners can more accurately prepare financial statements, manage cash flow, and make informed financial decisions. This improves financial transparency and helps stakeholders, such as investors and financial institutions, objectively assess the business's financial health. In SMEs, accounting literacy is essential for ensuring that financial activities are properly understood and managed, thus increasing stakeholder accountability and trust. Furthermore, a strong foundation in accounting principles enables SME owners to better plan for the future, allocate resources efficiently, and manage potential financial risks, all of which contribute to the long-term sustainability of their businesses.

This study hypothesizes that accounting literacy positively influences the accountability and sustainability of SMEs because a solid understanding of accounting principles supports better financial management and transparent decision-making, improving the business's long-term prospects. Accounting literacy allows SMEs to prepare accurate financial statements and manage cash flow effectively, thus increasing financial accountability to stakeholders. Studies by Ariningrum et al. (2021) and Msomi (2024) demonstrated that business owners with accounting literacy are better equipped to provide transparent and verifiable financial information, leading to stronger trust from investors and financial institutions. Accounting literacy also enables business owners to make informed financial decisions that optimize resource allocation and reduce financial risks, which supports long-term sustainability. Nden (2019) found that SMEs with higher levels of accounting literacy can better plan for growth, manage resources effectively, and navigate financial challenges, contributing to their businesses' longevity and success.

H2a. Accounting literacy positively affects the accountability of SMEs.

H2b. Accounting literacy positively affects the sustainability of SMEs.

### **The Influence of Access to Capital on SMEs' Accountability and Sustainability**

Access to capital is a fundamental factor influencing the accountability and sustainability of SMEs. With adequate access to funding, SMEs can secure working capital, invest in business development, and stabilize operations. This financial support helps sustain day-to-day activities and reinforces the need for transparent financial practices, as external funding often requires reporting and accountability to lenders or investors. In many cases, SMEs that receive capital from financial institutions, investors, or government programs are expected to maintain proper documentation and disclose their financial performance, thereby improving their accountability. Furthermore, reliable access to capital empowers SMEs to manage risks more effectively, plan long-term strategies, and invest in innovations contributing to business continuity.

This study hypothesizes that access to capital positively affects the accountability and sustainability of SMEs because the availability of financial resources compels better financial governance and supports business resilience. Access to capital encourages SMEs to implement structured financial management and reporting systems, which enhance transparency and stakeholder trust. Empirical evidence from Sulehri et al. (2022) highlighted that SMEs with funding access tend to adopt more accountable practices due to lender requirements and performance monitoring mechanisms. Moreover, Gavrilă et al. (2021) demonstrated that capital access enables SMEs to withstand financial shocks better, expand operations, and maintain long-term viability, especially with sound financial planning and governance.

H3a. Access to capital positively affects the accountability of SMEs.

H3b. Access to capital positively affects the sustainability of SMEs.

### **The Influence of the Use of Accounting on SMEs' Accountability and Sustainability**

Accounting systems play a vital role in strengthening the accountability and sustainability of SMEs. SMEs can manage their financial activities more transparently and efficiently by utilizing accounting tools and practices, such as recording transactions, compiling financial statements, and analyzing cash flow. The adoption of accounting facilitates accurate financial reporting and reinforces accountability, as business owners can better explain the use of resources to stakeholders, including investors, creditors, and regulatory bodies. In many developing economies, informal business practices are still common, introducing structured accounting helps formalize operations and builds trust with external parties. Moreover, consistent use of accounting enables SMEs to make data-driven decisions, plan for growth, and respond to financial risks, which are critical to ensuring long-term business sustainability.

This study hypothesizes that the use of accounting positively influences the accountability and sustainability of SMEs, because structured financial practices support transparency and informed decision-making. The use of accounting allows businesses to track financial performance clearly and meet external reporting expectations, enhancing credibility and stakeholder confidence. Bingley et al. (2024) found that SMEs that apply basic accounting systems show higher levels of financial accountability and openness, which increases trust from investors and financial institutions. Additionally, Hamzah et al. (2023) showed that the consistent use of accounting helps SMEs optimize cash flow management, improve resource planning, and maintain operational continuity, thus contributing to greater sustainability.

H4a. The use of accounting positively affects the accountability of SMEs.

H4b. The use of accounting positively affects the sustainability of SMEs.

### **The Influence of Accountability on the Sustainability of SMEs**

Accountability is a crucial factor that influences the sustainability of SMEs. When business owners are accountable in financial reporting and operational transparency, they are more likely to make responsible decisions, manage resources effectively, and build long-term trust with stakeholders. High levels of accountability foster stronger relationships with financial institutions, investors, suppliers, and customers, all of whom support the business's continuity and growth. In addition, accountability encourages adherence to legal and ethical standards, which helps reduce the risk of financial mismanagement and reputational



damage that could threaten long-term viability. Accountability is a guiding principle for SMEs operating in dynamic and uncertain environments to ensure that every action and decision contributes to long-term objectives.

This study hypothesizes that accountability positively influences the sustainability of SMEs because transparent and responsible business practices improve stakeholder confidence and support long-term strategic planning. Accountability drives SMEs to maintain clear financial records, fulfill obligations to partners, and adapt to challenges consistently and credibly. Agustina et al. (2021) highlighted that SMEs with high accountability are more likely to gain access to funding and market opportunities, as they demonstrate reliability and transparency. Furthermore, research by Srbinoska et al. (2023) indicated that accountability supports business continuity by minimizing internal risks and enhancing the capacity of SMEs to respond to financial and operational challenges over time.

H5. Accountability has a positive effect on the sustainability of SMEs.

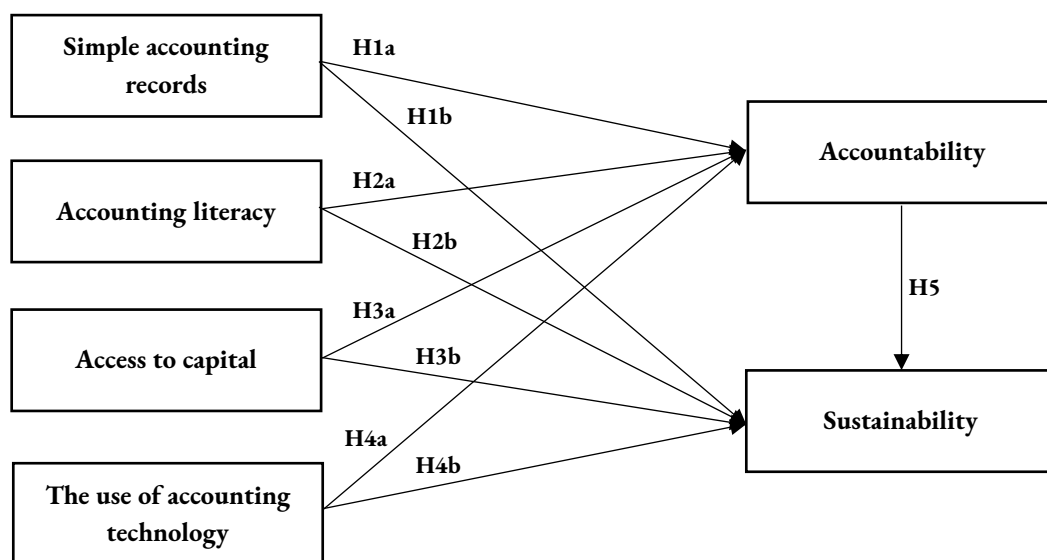


Figure 1. Research Model

## Research Method

This study employs a mixed-methods approach by combining quantitative and qualitative designs to analyze the impact of simple accounting records, accounting literacy, access to capital, and the use of accounting technology on the accountability and sustainability of SMEs in *pesantren* (Islamic boarding school) environments in Kuningan Regency. The quantitative phase involved a survey of 152 SME owners or managers actively managing their business finances. The purposive sampling technique was applied to select respondents based on specific criteria: the SMEs must operate within a *pesantren* environment, and the owners must have direct involvement in financial record-keeping and decision-making.

Data were collected using structured questionnaires, developed based on validated indicators for each research variable. The instrument includes questions related to accounting practices, levels of accounting literacy, access to capital, the use of accounting technology, and perceptions of accountability and business sustainability. The operationalization of variables is presented in Table 1. The study conducted reliability and validity tests on the measurement model using Confirmatory Factor Analysis (CFA) with SmartPLS software to validate the data. Convergent and discriminant validity were assessed to ensure that the indicators appropriately represented each construct, while Cronbach's Alpha and composite reliability were used to evaluate internal consistency.

**Table 1. Operationalization of Variables**

Variable	Indicators	Source
Simple accounting records	1. Organized financial records 2. Accurate and up-to-date record keeping 3. Easy-to-understand record formats 4. Consistency in recording transactions	(Hamzah et al., 2022)
Accounting literacy	1. Understanding of basic accounting concepts 2. Ability to interpret financial statements 3. Knowledge of budgeting and cash flow management 4. Ability to use financial tools and techniques	(Martika et al., 2024)
Access to capital	1. Availability of credit or loan access 2. Availability of financial resources 3. Bank relationship and support	(Rita et al., 2024)
The use of accounting technology	1. Use of accounting software 2. Knowledge of digital tools in financial reporting 3. Adoption of automation in financial processes	(Hamzah et al., 2023)
Accountability	1. Transparency in financial reporting 2. Clear explanation of financial decisions 3. Responsibility for financial outcomes	(Hamzah et al., 2024)
Sustainability	1. Business growth and expansion 2. Long-term viability 3. Social and environmental responsibility	(Charter, 2017)

Once the measurement model met the quality criteria, the structural model was analyzed to test the relationships between independent and dependent variables using the bootstrapping method, which provides significant t-statistics for hypothesis testing. Partial Least Squares-Structural Equation Modeling (PLS-SEM) was justified because it is well-suited for complex models, relatively small sample sizes, and data that may not meet multivariate normality assumptions.

A qualitative component was added to enrich the quantitative findings by conducting in-depth interviews with seven SME owners, selected purposively. This qualitative phase aimed to explore contextual insights into how simple accounting practices are applied in *pesantren*-based SMEs and uncover the challenges and enabling factors that influence their accountability and sustainability. The interview findings were then used to complement the quantitative results, offering practical and grounded interpretations that reflect the unique socio-religious business environment.

## Results and Discussion

Table 2 presents the demographic characteristics of the 152 respondents involved in the study. It includes key categories such as gender, age, education level, and years of business operation, along with their frequencies and percentages. These characteristics provide an overview of the respondents, helping to understand the profile of SME operators in the *pesantren* environment.

The respondents' demographic characteristics show various distributions across gender, age group, education level, and business duration. Regarding gender, 55.9 percent of the respondents are male, while 44.1 percent are female. Regarding age, most respondents fall into the 35–44 age group, accounting for 34.2 percent, followed by 31.6 percent in the 25–34 years group, 19.7 percent in the >45 years group, and 14.5 percent in the <25 years group. When looking at the education level, a large portion of respondents (60.5 percent) have completed elementary school. In comparison, 20.4 percent have completed junior high school, 13.2 percent have completed senior high school, and 5.9 percent hold a diploma or bachelor's degree. Regarding business duration, the respondents are spread across different periods: 32.9 percent have been in business for 3–5 years, followed by 29.6 percent with 1–3 years of business experience, 27.6 percent with more than 5 years, and 9.9 percent have been in business for less than a year. These demographic

characteristics provide insight into the respondents' background and experiences, which are crucial for the data analysis.

**Table 2. Demographic Characteristics of Respondents**

Characteristic and Category	Frequency	Percentage (%)
<b>Gender</b>		
Male	85	55.9
Female	67	44.1
<b>Age Group</b>		
< 25 years	22	14.5
25–34 years	48	31.6
35–44 years	52	34.2
>45 years	30	19.7
<b>Education Level</b>		
Elementary School	92	60.5
Junior High School	31	20.4
Senior High School	20	13.2
Diploma/Bachelor's Degree	9	5.9
<b>Business Duration</b>		
< 1 year	15	9.9
1–3 years	45	29.6
3–5 years	50	32.9
> 5 years	42	27.6

Source: Primary data processed (2024)

Table 3 presents the measurement model for various constructs, including simple accounting records (SAR), accounting literacy (AL), access to capital (AtC), the use of accounting technology (UAT), accountability (AC), and SMEs Sustainability (SS), along with their corresponding factor loadings, reliability indices (Alpha, rho\_A), composite reliability (CR), and average variance extracted (AVE).

**Table 3. Results of Validity and Reliability Analysis**

Construct	Item	Loading	Alpha	rho_A	CR	AVE
Simple accounting records	SAR1	0.913	0.885	0.897	0.922	0.749
	SAR2	0.914				
	SAR3	0.900				
	SAR4	0.720				
Accounting literacy	AL1	0.812	0.885	0.898	0.920	0.743
	AL2	0.891				
	AL3	0.890				
	AL4	0.852				
Access to capital	AtC1	0.923	0.881	0.884	0.926	0.808
	AtC2	0.897				
	AtC3	0.876				
The use of accounting technology	UAT1	0.942	0.925	0.925	0.952	0.846
	UAT2	0.913				
	UAT3	0.941				
accountability	AC1	0.920	0.909	0.911	0.943	0.846
	AC2	0.925				
	AC3	0.915				
SMEs Sustainability	SS1	0.858	0.832	0.848	0.900	0.750
	SS2	0.941				
	SS3	0.793				

Source: Primary data processed (2024)



The discriminant validity of the constructs was evaluated using the Fornell-Larcker criterion and the Heterotrait-Monotrait Ratio (HTMT). The Fornell-Larcker analysis shows that the square root of the average variance extracted (AVE) for each construct is higher than its correlations with other constructs, confirming adequate discriminant validity. For instance, the square root of the AVE for simple accounting records (SAR) is 0.866, which is greater than its correlations with accounting literacy (AL) at 0.635 and access to capital (AtC) at 0.848. Similarly, other constructs, including the use of accounting technology (UAT), accountability (AC), and SMEs' sustainability (SS), meet the Fornell-Larcker criterion, indicating that each construct is distinct from the others. The HTMT analysis further validates discriminant validity by showing that the values for inter-construct relationships are below the threshold of 0.85 for strict or 0.90 for lenient criteria. For example, the HTMT value between SAR and AL is 0.671, while the value between AtC and UAT is 0.601, both within acceptable limits. This analysis confirms that the constructs are well-differentiated and free from high cross-loadings, ensuring the measurement model's reliability. In conclusion, both Fornell-Larcker and HTMT results demonstrate that the constructs are appropriately distinct, supporting the robustness of the research model.

**Table 4. Summary of Structural Equation Modelling Analysis**

Hypothesis/Direct Relationship	Coefficient	t-value	p-value	Result
H1a. SAR --> AC	0.410	3.669	0.000	Supported
H1b. SAR --> SS	0.840	13.896	0.000	Supported
H2a. AL --> AC	0.125	2.909	0.004	Supported
H2b. AL --> SS	0.057	2.604	0.010	Supported
H3a. AtC --> AC	0.360	4.496	0.000	Supported
H3b. AtC --> SS	0.100	1.959	0.052	Supported
H4a. UAT --> AC	0.265	2.009	0.046	Supported
H4b. UAT --> SS	0.195	3.373	0.001	Supported
H5. AC --> SS	0.036	0.563	0.574	Not Supported
<b>R-Square</b>				
Accountability	0.826			
SMEs Sustainability	0.950			
<b>Adjusted R-Square</b>				
Accountability	0.822			
SMEs Sustainability	0.948			
<b>Effect Size to Accountability</b>				
Simple accounting records	0.699 (large)			
Accounting literacy	0.570 (large)			
Access to capital	0.492 (large)			
The use of accounting technology	0.450 (large)			
<b>Effect Size to SMEs' Sustainability</b>				
Simple accounting records	0.810 (large)			
Accounting literacy	0.767 (large)			
Access to capital	0.860 (large)			
The use of accounting technology	0.810 (large)			
Accountability	0.491 (large)			
<b>Predictive Value Relevant</b>				
Accountability	0.753			
SMEs Sustainability	0.802			

Source: Primary data processed (2024)

The results of the Structural Equation Modelling (SEM) analysis in Table 4 indicate that most of the proposed direct relationships in the hypotheses are supported, except for H5, which examines the

relationship between accountability (AC) and SMEs' sustainability (SS). The findings reveal that simple accounting records (SAR) significantly influence AC, with a coefficient of 0.410 (t-value = 3.669, p-value = 0.000), and SS, with a coefficient of 0.840 (t-value = 13.896, p-value = 0.000). Additionally, accounting literacy (AL) has a significant effect on AC (coefficient = 0.125, t-value = 2.909, p-value = 0.004) and SS (coefficient = 0.057, t-value = 2.604, p-value = 0.010).

Access to capital (AtC) also significantly impacts AC (coefficient = 0.360, t-value = 4.496, p-value = 0.000) and SS (coefficient = 0.100, t-value = 1.959, p-value = 0.052). Similarly, the use of accounting technology (UAT) shows a significant influence on AC (coefficient = 0.265, t-value = 2.009, p-value = 0.046) and SS (coefficient = 0.195, t-value = 3.373, p-value = 0.001). However, the relationship between AC and SS (H5) is not significant, with a coefficient of 0.036 (t-value = 0.563, p-value = 0.574).

The R-Square values indicate that AC is explained by 82.6 percent of the variance in SAR, AL, AtC, and UAT, while SS is explained by 95.0 percent. The adjusted R-squared values are 82.2 percent for AC and 94.8 percent for SS, reflecting the high explanatory power of the model. Regarding effect size, SAR has the largest impact on AC (0.699) and SS (0.810), categorized as large. AL, AtC, and UAT also have large effects on AC and SS, with AtC demonstrating the strongest impact on SS (0.860). Furthermore, the predictive relevance ( $Q^2$ ) values are 0.753 for AC and 0.802 for SS, indicating the model has strong predictive capability. This analysis highlights the critical roles of SAR, AL, AtC, and UAT in enhancing accountability and sustainability among SMEs. The insignificant relationship between accountability and sustainability suggests that other factors have a more dominant direct influence on SME sustainability.

## Discussion

This section discusses the research findings by linking quantitative and qualitative results to explain how accounting record-keeping, literacy, access to capital, and technology contribute to the accountability and sustainability of SMEs. Most respondents recorded transactions manually in notebooks without a standard format. However, they acknowledged that such recording practices helped them remain accountable, especially when working with *pesantren* cooperatives or units. As noted by Respondent 3, "I didn't use to keep records, but since the *pesantren* training, I've started writing down all income and expenses, and I feel more confident when reporting to the cooperative".

Several SME owners admitted to being unfamiliar with formal accounting terms like income statements or balance sheets. However, they understood the importance of separating personal and business finances. This literacy was typically gained through informal training or mentoring by *pesantren* teachers or NGO partners. As expressed by Respondent 5, "I don't know accounting terms, but I've learned it's important to separate business money from household money. That's already helpful".

Three out of seven respondents had received financing from sharia-based financial institutions managed by the *pesantren*. A basic financial record was often required to access these funds. As responded by Respondent 3, "I only got the loan after I could show three months' worth of sales records".

Only two respondents used basic accounting applications such as BukuKas or Excel. The main obstacles were a lack of digital literacy and limited device access. As expressed by Respondent 6, "I prefer using a notebook because I don't have a smartphone that can install apps".

Most SME actors felt more accountable after implementing even simple record-keeping systems. They reported increased confidence during financial audits by *pesantren* cooperatives or when participating in exhibitions. As expressed by Respondent 1, "Now I feel more at ease when the *pesantren* checks, because I record every expense".

Improved accountability and more organized financial management played a significant role in supporting business sustainability. Two respondents mentioned that since adopting record-keeping, they had been able to save profits for business development. As stated by Respondent 4, "After keeping records, I know how much I can set aside to buy a new display cabinet".

The qualitative findings reinforce the quantitative analysis by highlighting the practical realities SMEs face in *pesantren* environments. Although often informal, simple accounting practices are foundational in fostering financial discipline and transparency. As Respondent 3 remarked, “I didn’t use to keep records, but since the *pesantren* training, I’ve started writing down all income and expenses, and I feel more confident when reporting to the cooperative”. This shift demonstrates how even basic bookkeeping contributes to greater accountability, particularly in community-based financial systems such as *pesantren* cooperatives.

Moreover, although formal accounting literacy remains limited, there is a growing awareness of its practical value. As expressed by another respondent, the ability to separate business and personal finances, “I’ve learned it’s important to separate business money from household money”, said Respondent 5, marks a critical step toward sustainable financial management.

Access to capital is also closely linked to financial record-keeping. Respondents noted that cooperatives and Islamic microfinance institutions required proof of income and expenses, as in the case of one SME owner who shared, “I only got the loan after I could show three months’ worth of sales records”, said Respondent 2. However, the adoption of accounting technology remains limited due to digital literacy gaps and infrastructure constraints.

The interviews illustrate that accountability and sustainability among *pesantren*-based SMEs are gradually improving through adopting simple accounting practices and growing financial awareness. Respondent 4 concluded, “After keeping records, I know how much I can set aside to buy a new display cabinet”, underscoring how these practices translate directly into business growth and long-term planning.

### Simple Accounting Records and SMEs’ Accountability

Simple accounting records form a crucial foundation for achieving financial accountability in SMEs. According to stakeholder theory, accountability is not limited to business owners. Still, it extends to various stakeholders such as customers, suppliers, financial institutions, regulators, and the broader community, for SMEs, particularly those based in Islamic boarding schools (*pesantren*), even basic and consistent financial documentation serves as a means to demonstrate transparency and responsibility in financial management.

Furthermore, *pesantren*-based SMEs are not solely profit-oriented; they also uphold core Islamic values such as honesty (*sidq*), trustworthiness (*amanah*), blessing (*barakah*), and fairness (*‘adl*) in economic transactions (*muamalah*). These principles encourage entrepreneurs to maintain integrity in every financial decision. Simple and honest financial records align with the Islamic notion of accountability, in which wealth is considered a trust (*amanah*) that must be managed fairly and transparently for the benefit of all stakeholders. Empirical evidence supports this connection. Elayanathan et al. (2021) found that SMEs that consistently record their financial transactions are better equipped to sustain their operations and avoid poor financial decisions. Similarly, Pakpahan et al. (2023) reported that maintaining basic financial records enhances partner trust and improves access to formal financial services. Supporting this, Hamzah et al. (2024) highlighted that proper bookkeeping is a key indicator in microfinance institutions’ business viability assessment.

### Simple Accounting Records and SMEs’ Sustainability

Simple accounting records positively affect the sustainability of small and medium enterprises (SMEs), which aligns with stakeholder theory, which emphasizes the importance of strong relationships between SMEs and their stakeholders in supporting business continuity. With clear and simple accounting records, SMEs can effectively monitor cash flow and financial performance, enabling them to make more informed and strategic business decisions. From the stakeholder theory perspective, financial reporting transparency enhances trust among stakeholders such as investors, creditors, and customers. When stakeholders are confident that SMEs manage their finances well, they are more likely to offer continued support through funding, partnerships, and business contracts. Moreover, stakeholder theory asserts that SME sustainability depends on their ability to meet stakeholder expectations consistently. Accurate and simple accounting

records enable SMEs to handle financial challenges better, such as efficient budgeting, debt management, and resource allocation. This not only improves operational efficiency but also strengthens relationships with stakeholders, as they can see that the SME can endure and grow in the long term. Therefore, simple accounting records not only support the operational sustainability of SMEs but also build a strong foundation for long-term stakeholder relationships.

From the perspective of Islamic values, sustainability in business is not only about economic survival but also about seeking *barakah* (divine blessings) from Allah SWT. Practicing honest and straightforward financial record-keeping reflects the Islamic value of *tawazun* (balance) between worldly affairs and spiritual responsibility. Islam upholds *‘adl* (justice) in financial dealings and prohibits fraud or the concealment of information, which are seen as unethical and sinful behaviors. Transparent financial records also reflect the value of *ihsan* (excellence) in dealings with other people and in fulfilling accountability before Allah. The principle of *shura* (consultation) becomes more effective when business decisions are based on trustworthy and accountable data. Thus, SME sustainability becomes systematically strong and morally and spiritually grounded. This result is in line with Saeudy (2022), Agustina (2020) and Hamzah et al. (2024) research which found that simple accounting records have a positive effect on SMEs' Sustainability.

### Accounting Literacy and SMEs' Accountability

Accounting literacy plays a crucial role in enhancing the accountability of SMEs, aligning with stakeholder theory, which emphasizes the importance of meeting the needs and expectations of stakeholders. In this regard, accounting literacy equips SME owners and managers to understand and manage financial statements effectively, enabling them to present transparent, accurate, and reliable financial information. From the stakeholder theory perspective, this is essential because stakeholders such as investors, creditors, and customers require assurance that SMEs manage their finances with high integrity. Therefore, SMEs can meet these expectations by improving accounting literacy, strengthening relationships, and trust with their stakeholders. In the context of SMEs based in *pesantren* (Islamic boarding schools), Islamic values profoundly influence accounting practices and financial management. Principles such as honesty, seeking blessings (*barakah*) in business, and fairness in transactions play a significant role in guiding transparent financial management practices that align with religious teachings. SMEs that integrate these values into their accounting practices demonstrate their commitment to managing finances responsibly while fulfilling broader social and religious expectations. This makes *pesantren*-based SMEs more trustworthy to both internal and external stakeholders.

Furthermore, stakeholder theory emphasizes that strong accountability is a key factor in gaining long-term support from various stakeholders, which is crucial for the sustainability of SMEs. In-depth accounting literacy enables SMEs to understand relevant accounting regulations, prepare financial statements that meet standards, and provide clear and transparent information to stakeholders. When stakeholders, such as government institutions, financial agencies, or business partners, recognize that *pesantren*-based SMEs possess strong accounting literacy imbued with Islamic principles, they are more likely to offer support in various forms, whether funding, market access, or strategic partnerships. Therefore, accounting literacy not only strengthens SME accountability but also fosters stronger relationships with stakeholders, ultimately supporting the long-term sustainability and growth of the business. This result aligns with findings from Martika et al. (2024), Rita et al. (2024), and Bingley et al. (2024) research which stated that accounting literacy has a positive effect on accountability.

### Accounting Literacy and SMEs' Sustainability

Accounting literacy positively impacts SMEs' sustainability, aligning with stakeholder theory, which emphasizes the importance of a strong understanding of finances to maintain stable and sustainable relationships with stakeholders. With adequate accounting literacy, SME owners and managers can manage their financial resources wisely, make better plans, and effectively address economic challenges. This enables

SMEs to survive in the long term as they can meet stakeholders' expectations, such as those of investors and creditors, related to sound and transparent financial management. Furthermore, stakeholder theory highlights that SME sustainability heavily depends on their ability to maintain the trust of their stakeholders. Good accounting literacy allows SMEs to make more informed decisions regarding financing, budgeting, and financial risk management. With solid accounting skills, SMEs can produce clear and accurate financial reports, increasing transparency and accountability in the eyes of stakeholders. The trust created through proper financial management, in turn, ensures long-term support from stakeholders, such as investors, business partners, and financial institutions, contributing to the sustainability and growth of SMEs.

In Islamic values, knowledge (*ilm*) is considered a vital foundation in all aspects of life, including financial management. Islam encourages business actors to seek knowledge as a form of *ibadah* (worship), and mastering accounting literacy reflects *amanah* (trustworthiness) in managing entrusted resources. The Prophet Muhammad SAW emphasized precision and honesty in trade, which can be applied through proper accounting practices. Moreover, *maslahah* (public interest) is served when SMEs manage their finances well, benefiting not just the owners but also employees, suppliers, and communities around them. By applying accounting literacy, SMEs embody the principle of *islah* (reform and improvement), constantly striving for betterment in both worldly success and spiritual responsibility. This result is in line with Rita et al. (2024), Martika et al. (2024), and Hamzah et al. (2019) research which stated that accounting literacy has a positive effect on SMEs' Sustainability.

### Access to Capital and SMEs' Accountability

Access to capital positively influences SME accountability, aligning with stakeholder theory, emphasizing the importance of the reciprocal relationship between SMEs and their stakeholders. In this context, adequate access to capital enables SMEs to manage their finances more effectively, fulfilling operational and investment needs. According to stakeholder theory, stakeholders, such as investors, creditors, and business partners, have a vested interest in SMEs' long-term sustainability and responsible financial management. With better access to capital, SMEs can enhance transparency by managing funds efficiently and presenting accurate, reliable financial reports, thus meeting stakeholders' expectations for accountability.

In Islamic values, accountability is not only a financial requirement but also a religious and ethical obligation. Islam encourages fair, honest, and transparent business practices, where financial transactions are conducted with integrity and compliance with Islamic principles, such as avoiding fraud, dishonesty, and usury (*riba*). When SMEs in Islamic contexts have access to capital, they are expected to ensure efficient fund management and uphold these ethical standards, reflecting the Islamic values of justice, honesty, and fairness in their financial practices.

Moreover, stakeholder theory asserts that accountability is crucial in maintaining and strengthening stakeholder support. SMEs with sufficient access to capital can improve operational performance and ensure that funds are utilized efficiently and for their intended purposes. This, in turn, builds trust among stakeholders, including financial institutions and other funding sources. By demonstrating accountability through transparent and clear reporting, SMEs can establish stronger relationships with stakeholders, creating future opportunities for additional financial support. Therefore, access to capital supports SMEs' financial management and reinforces their accountability to stakeholders. In Islamic business practices, ensuring transparency and fulfilling financial obligations are seen as part of the broader responsibility to the community and society, ensuring that the financial dealings align with economic and moral principles. Therefore, SMEs adhering to these values will likely foster a loyal and supportive relationship with stakeholders. This result aligns with the findings of Kamaliah et al. (2023), Alhalawi et al. (2024), and García et al. (2025) research which stated that access to capital has a positive effect on accountability.



### Access to Capital and SMEs Sustainability

Access to capital positively influences SME sustainability, which is in line with stakeholder theory, which emphasizes the importance of meeting the needs and expectations of various stakeholders for long-term business viability. Adequate capital allows SMEs to invest in essential resources, expand operations, and improve productivity. With sufficient financial resources, SMEs are better positioned to withstand economic fluctuations, innovate, and capitalize on growth opportunities. Stakeholder theory suggests that when stakeholders, such as investors, creditors, and suppliers, observe that an SME is financially stable and capable of making strategic investments, they are more likely to offer continued support, thus ensuring the long-term sustainability of the business. Moreover, stakeholder theory asserts that SME sustainability depends on maintaining trust and positive relationships with stakeholders. Access to capital enables SMEs to meet their financial obligations, manage risks, and fund expansion plans. When stakeholders see that SMEs use capital effectively and responsibly, they gain confidence in the business's long-term prospects. This trust encourages further investment, partnerships, and collaboration, essential for the SME's continued success and growth. Therefore, access to capital provides the financial means for operational stability and strengthens stakeholder relationships, contributing to the SME's long-term sustainability.

From an Islamic perspective, the concept of *rizq* (provision) acknowledges that while sustenance ultimately comes from Allah, human effort (*ikhtiar*) in accessing and utilizing capital is a form of responsible stewardship (*khalifah*) on earth. Islam encourages *mudharabah* (profit-sharing) and *musharakah* (partnership) as ethical financing models that promote trust and cooperation. Responsible use of capital reflects *taqwa* (God-consciousness) in ensuring that financial resources are not wasted, misused, or exploited for unjust gain. Moreover, fulfilling financial obligations and maintaining financial integrity uphold the *adl* (justice) principle, which is essential for sustainable business practices in an Islamic economic framework. Thus, when used ethically and with accountability, access to capital contributes to sustainability in a manner that aligns with stakeholder theory and Islamic ethical values. This result is in line with Kalaieesan (2021), Shields et al. (2024), and Hamzah et al. (2024) research which stated that access to capital has a positive effect on SMEs' sustainability.

### The Use of Accounting Technology and Accountability

The use of accounting technology positively impacts SME accountability, aligning with stakeholder theory, emphasizing transparency, efficiency, and meeting stakeholder expectations. Accounting technology empowers SMEs to manage and monitor their finances more accurately, efficiently, and in real-time. By adopting advanced accounting software, SMEs can generate financial reports more quickly and with greater accuracy, fulfilling the informational needs of stakeholders such as investors, creditors, tax authorities, and regulatory bodies. This advancement enhances SME accountability by improving the transparency of financial reporting and minimizing errors or mismanagement in financial transactions.

Incorporating Islamic values, using accounting technology also supports the principles of fairness, justice, and integrity in business. Islam emphasizes the importance of honesty and accuracy in financial dealings, prohibiting practices like fraud and misrepresentation. By adopting technology that ensures precise and transparent financial reporting, SMEs align their practices with Islamic teachings, fulfilling their ethical and religious obligations. This technological approach enhances financial accuracy and ensures that business operations are conducted with integrity, in line with the principles of *adl* (justice) and *amanah* (trustworthiness) in Islam.

Furthermore, stakeholder theory underscores the importance of accountability in maintaining mutually beneficial relationships with stakeholders. The use of accounting technology enables SMEs to meet the reporting standards that stakeholders expect, enhancing their trust. When stakeholders recognize that SMEs are utilizing advanced technology to ensure the accuracy and efficiency of financial reporting, they are more likely to provide continued financial and business support. This trust contributes to stronger relationships, ensuring the long-term sustainability and growth of the business.



In Islamic business practices, fulfilling the trust placed by stakeholders is of paramount importance. By adhering to principles of *tawhid* (oneness of God) and *khilafah* (stewardship), SMEs that utilize accounting technology meet the financial needs of stakeholders and fulfill their broader responsibilities to the community. This creates a harmonious balance between ethical financial management and stakeholders' interests. This result aligns with the findings of Hamzah et al. (2023), Ma et al. (2021) and Mishrif et al. (2023) research which stated that the use of accounting technology has a positive effect on accountability.

### **The Use of Accounting Technology and SMEs' Sustainability**

The use of accounting technology positively impacts SME sustainability, which aligns with stakeholder theory and highlights the importance of transparency, efficiency, and innovation in maintaining strong relationships with stakeholders. By leveraging advanced accounting software and tools, SMEs can streamline their financial processes, improve accuracy, and reduce the risk of errors in financial reporting. This enhanced financial management enables SMEs to make more informed decisions, allocate resources efficiently, and respond to market changes more effectively. Stakeholder theory suggests that when stakeholders, such as investors, creditors, and customers, see SMEs adopting technology to improve their operations and financial transparency, they are more likely to provide continued support, fostering long-term business sustainability.

Additionally, stakeholder theory emphasizes that long-term SME sustainability is closely tied to maintaining stakeholder trust and credibility. The use of accounting technology ensures that SMEs can meet regulatory requirements, improve financial reporting, and increase transparency, all of which are critical for maintaining stakeholder confidence. When stakeholders perceive that SMEs are investing in technology that enhances financial accuracy and operational efficiency, they are likelier to continue their support through investments, partnerships, or extended credit. Therefore, accounting technology not only improves operational efficiency but also strengthens stakeholder relationships, ultimately contributing to SMEs' long-term sustainability and growth.

From an Islamic ethical perspective, adopting technology in financial management reflects the principles of *ibsan* (excellence) and *amanah* (trustworthiness). Islam encourages the use of knowledge and tools that promote better governance and accountability, as stated in the Qur'an: "And do not consume one another's wealth unjustly or send it [in bribery] to the rulers so that [they might aid] you to consume a portion of the wealth of others while you know [it is unlawful]" (QS. Al-Baqarah: 188). Transparent and efficient financial practices prevent injustice and misappropriation of resources, aligning with Islamic teachings on fairness (*adl*) and ethical stewardship (*khilafah*). By utilizing accounting technology, SMEs uphold these values, demonstrating a commitment to ethical business practices that benefit stakeholders and the broader community through the Islamic moral economy. This result is in line with Kepramareni et al. (2025), Nduokafor et al. (2024) and Hamzah et al. (2023) research which stated that the use of accounting technology has a positive effect on SMEs' Sustainability.

### **Accountability and SMEs' Sustainability**

Accountability does not always directly impact SME sustainability, even though stakeholder theory emphasizes the importance of transparency and responsibility in stakeholder relationships. While accountability can enhance trust with stakeholders such as investors and creditors, SME sustainability is influenced by other factors such as innovation, competitiveness, and the ability to adapt to market changes. In some cases, SMEs that are highly accountable but lack innovation or struggle to manage external challenges may face difficulties maintaining long-term sustainability.

Stakeholder theory also asserts that SME sustainability relies more on consistently meeting various stakeholders' needs and expectations. While good accountability helps build strong relationships with stakeholders, SME sustainability requires additional factors such as effective risk management, access to capital, and operational efficiency. Therefore, although accountability is crucial in maintaining positive

relationships with stakeholders, other factors related to competitiveness and operational sustainability have a greater impact on the survival and growth of SMEs in the long term. This result is in line with Nurhayati et al. (2023) and Hamzah et al. (2024) study which stated that use of accounting technology have a positive effect on SMEs Sustainability.

## Conclusion

This study explored the factors influencing the accountability and sustainability of SMEs operating in *pesantren* environments, focusing on financial practices such as simple accounting records, accounting literacy, access to capital, and the use of accounting technology. The findings suggest that these factors significantly contribute to both the accountability and sustainability of SMEs in these settings. Simple accounting records and accounting literacy were crucial in enhancing financial transparency and improving decision-making processes. Access to capital provided the necessary financial resources for growth and operational stability, while the use of accounting technology helped streamline financial management and foster trust among stakeholders. These results highlight the importance of adopting robust financial practices within the unique context of *pesantren*-based SMEs to ensure their long-term viability.

However, the study has several limitations. The research focused on SMEs within specific *pesantren* environments, which may limit the generalizability of the findings to other types of SMEs or regions outside this context. Additionally, the study's cross-sectional design provides a snapshot of the current situation but does not account for potential changes over time. Future studies could employ a longitudinal approach to assess the long-term impact of these financial practices on the sustainability of SMEs in *pesantren* environments. Moreover, expanding the study to include a larger sample size or SMEs from various *pesantren* regions could provide deeper insights into how these factors may vary across different settings.

One major limitation is the sample bias, as the study only focused on SMEs in a specific *pesantren* area. To broaden the understanding, a multi-region research in the future is strongly recommended. This approach would allow for a broader comparison and provide a more comprehensive picture of how financial practices impact the sustainability of SMEs in various *pesantren* environments with different characteristics.

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