

# OPTIMIZING FINANCIAL LITERACY, DIGITAL BANKING, AND ACCOUNTING SYSTEMS TO SUPPORT BUSINESS SUSTAINABILITY THROUGH IMPROVED FINANCIAL REPORTING IN BALI PROVINCE

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## Abstrak

Usaha Mikro Kecil Menengah merupakan pilar utama perekonomian daerah yang rentan terhadap dinamika ekonomi. Kualitas laporan keuangan mencerminkan kondisi usaha serta menjadi alat strategis dalam pengambilan keputusan, akses pembiayaan, dan kemitraan. Di tengah upaya pemulihan ekonomi dan transformasi digital di Bali, penguatan kualitas laporan keuangan menjadi prioritas guna menjaga keberlangsungan usaha UMKM. Penelitian ini bertujuan untuk menganalisis pengaruh literasi keuangan, digital banking, dan sistem informasi akuntansi terhadap keberlangsungan usaha UMKM melalui kualitas laporan keuangan sebagai variabel mediasi. Pendekatan yang digunakan adalah kuantitatif dengan metode purposive sampling. Data primer dikumpulkan dari 100 pelaku UMKM di Provinsi Bali yang telah menggunakan sistem informasi akuntansi dan digital banking. Analisis data dilakukan menggunakan Microsoft Excel dan SmartPLS. Hasil penelitian menunjukkan bahwa literasi keuangan, digital banking, dan sistem informasi akuntansi berpengaruh positif dan signifikan terhadap kualitas laporan keuangan. Literasi keuangan dan kualitas laporan keuangan berpengaruh signifikan terhadap keberlangsungan usaha, sedangkan digital banking dan sistem informasi akuntansi tidak signifikan. Kualitas laporan keuangan memediasi pengaruh digital banking dan sistem informasi akuntansi, tetapi tidak memediasi pengaruh literasi keuangan. Diperlukan dukungan pemerintah daerah dan akademisi untuk memperkuat literasi keuangan dan adopsi teknologi, agar keberlangsungan UMKM semakin tangguh.

## Keywords:

Financial  
Literacy, Digital  
Banking,  
Accounting  
Information  
Systems,  
Financial  
Statement  
Quality,  
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Sustainability

## Abstract

Micro, Small and Medium Enterprises are the central pillar of regional economies but remain vulnerable to economic fluctuations. The quality of financial statements reflects business conditions and serves as a strategic tool for decision-making, financing access, and partnerships. Amid efforts for economic recovery and digital transformation in Bali, strengthening the quality of financial reporting has become a priority to sustain MSME operations. This study aims to analyze the influence of financial literacy, digital banking, and accounting information systems on the sustainability of MSMEs, with financial reporting quality as a mediating variable. A quantitative approach was employed using purposive sampling. Primary data were collected from 100 MSME actors in Bali Province who have adopted accounting information systems and digital banking. Data analysis was performed using Microsoft Excel and SmartPLS. The results show that financial literacy, digital banking, and accounting information systems have a positive and significant effect on financial reporting quality. Financial literacy and financial reporting quality significantly influence business sustainability, while digital banking and accounting information systems do not. Financial reporting quality mediates the effects of digital banking and accounting information systems but does not mediate the impact of financial literacy. Support from local governments and academics is needed to strengthen financial literacy and technology adoption, ensuring that MSMEs remain sustainable, resilient, and competitive.

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## INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in supporting the resilience and growth of Indonesia's national economy. MSMEs contribute more than 60% to the national Gross Domestic Product (GDP) and absorb approximately 97% of the labor force, making them a key pillar in job creation and income distribution (Ministry of Cooperatives and SMEs, 2023). This role becomes even more significant in regional economic contexts such as Bali Province, where the MSME sector is closely integrated with the tourism and creative economy industries. In Bali, MSMEs not only serve as a livelihood source for hundreds of thousands of people but also contribute to the local economy's resilience amid external shocks such as the COVID-19 pandemic. The Bali Provincial Office of Cooperatives and SMEs recorded over 439,000 MSME units, with the majority engaged in trade, culinary businesses, and local handicrafts (Putra, 2024). Ensuring the business sustainability of MSMEs in Bali is crucial, given the region's high dependence on a dynamic informal sector.

The economic structure of Bali is heavily influenced by the tourism sector, making the sustainability of MSMEs a determining factor in maintaining regional economic balance (Pratiwi, 2021). MSMEs play a strategic role as the driving force of local economic growth, particularly in absorbing labor from the informal sector and enhancing the productivity of rural communities. When Bali's tourism faced stagnation during the pandemic, MSMEs proved to be a household economic safety net (Wicaksana, 2022). One of the main challenges to MSME sustainability lies in financial management (Pratiwi & Budhi, 2020). The financial aspect is considered relatively vital in business operations, as it supports the company's ability to carry out day-to-day activities. Research by Rahmawati and Muliati (2023) highlights that MSME sustainability is highly influenced by the quality of internal financial management and support for business process digitalization. The quality of financial statements is a fundamental factor in ensuring the continuity of MSMEs. High-quality financial reports reflect actual financial conditions, assist business owners in making informed decisions, and enhance credibility with external stakeholders such as banks and investors. Transparency and accuracy in financial reporting also facilitate MSMEs' access to formal financing and serve as a basis for long-term financial planning.

Research by Handayani and Prasetyo (2021) shows that the quality of financial reports has a positive and significant impact on the sustainability of MSMEs, as good financial reporting enables MSMEs to manage risks and opportunities more efficiently. Furthermore, a study conducted by Fitriani and Sari (2022) supports this finding, where MSMEs with financial reports prepared according to accounting principles have higher business resilience amid economic fluctuations. Therefore, improving the quality of financial reporting becomes an important strategy in strengthening the resilience and sustainability of MSMEs, particularly in the post-pandemic economic dynamics.

Several factors that can affect the quality of financial reports include financial literacy. Financial literacy plays a crucial role in improving the quality of financial reporting, especially for MSME owners who often lack adequate accounting backgrounds. A good understanding of basic financial principles, such as transaction recording, cash management, and preparing financial reports according to standards, is essential for the accuracy and credibility of MSME financial reports. Good financial literacy also enables business owners to present financial information transparently, relevantly, and reliably. Research by Dewi and Siregar (2021) found that financial literacy has a positive and significant impact on the quality of financial reporting, as the higher the level of financial understanding, the better the ability to prepare reports in accordance with accounting principles. Similar results were reported by Lestari and Fauzan (2023), who stated that MSME owners who participated in financial literacy training showed significant improvements in the accuracy of their financial reporting. Improved financial literacy not only enhances business management effectiveness but also serves as an important foundation for building a reliable and sustainable accounting system.

The next factor that can influence the quality of financial reports is digital banking. The use of digital banking has become a key catalyst in improving the quality of MSME financial reporting, particularly in the current era of digital transformation. Digital banking provides ease in recording

financial transactions in real-time, reducing the risk of manual recording errors and improving the accuracy and timeliness of financial reporting. Access to digital transaction reports also helps MSME owners prepare more systematic, accountable, and auditable reports. Research by Pratama and Suharti (2022) shows that the use of digital banking services positively impacts the quality of MSME financial reporting because the digital system facilitates financial reconciliation and cash flow management effectively. A similar finding was presented by Ramadhani and Utami (2023), who stated that MSMEs actively using digital banking facilities have more complete, orderly, and compliant financial reports according to applicable accounting principles. These research findings indicate that digital banking not only supports operational efficiency but also strengthens the transparency and credibility of financial reports for small and medium-sized enterprises.

The next factor that can influence the quality of financial statements is the accounting information system (AIS). The implementation of a reliable AIS becomes a crucial foundation in improving the quality of financial statements, especially for MSME actors who wish to strengthen their business credibility in the eyes of investors, financial institutions, and tax authorities. The AIS helps automate the processes of recording, processing, and reporting financial transactions, thus producing reports that are accurate, relevant, and timely. The effectiveness of this system encourages more transparent and accountable accounting practices. Research by Hidayat and Arifianto (2021) shows that the quality of MSME financial statements is significantly influenced by the use of an integrated accounting information system, as such systems can reduce manual errors and increase financial data consistency. Similarly, Dewi and Supartha (2022) found that AIS functions as an effective internal control tool, making the resulting financial statements more credible and in accordance with standards. These findings indicate that investing in the development of AIS is a strategic step to promote MSME sustainability through enhanced financial reporting quality.

Based on the background outlined above, the objectives of this study are: 1) to determine the effect of financial literacy, digital banking, and accounting information systems on the quality of MSME financial statements in Bali Province; 2) to determine the effect of financial literacy, digital banking, accounting information systems, and the quality of financial statements on the sustainability of MSMEs in Bali Province; and 3) to assess the role of financial statement quality in mediating the effects of financial literacy, digital banking, and accounting information systems on the quality of MSME financial statements in Bali Province.

This study is expected to contribute as follows: 1) theoretical contribution by adding empirical literature on the relationship between financial literacy, digital banking, and accounting information systems with the quality and sustainability of MSMEs, especially by including financial statement quality as a mediating variable, which has been limited in previous studies; and 2) practical contribution, by providing strategic recommendations for MSME actors, financial institutions, and local governments to improve the quality of financial statements through financial literacy training and the use of digital banking services and accounting information systems. Furthermore, the practical contribution is to provide evidence-based insights for policymakers in Bali Province to formulate more data-driven and financially technological MSME empowerment policies.

Although previous studies have acknowledged the importance of financial literacy, digital banking, and accounting information systems in supporting MSME performance, most research tends to examine these variables in isolation. In real-world settings, however, these three elements are highly interconnected and form a unified financial foundation that influences business sustainability. This study presents a novel approach by simultaneously analyzing the combined effects of financial literacy, digital banking, and accounting information systems on MSME sustainability, mediated by the quality of financial reporting.

Another key novelty lies in positioning financial reporting quality as a strategic mediating variable—an area that remains underexplored in prior research. The study views financial reporting quality not merely as a technical output but as a managerial and strategic tool that bridges internal capabilities with long-term business sustainability. It emphasizes that credible and timely financial reports serve not only administrative functions but also facilitate decision-making, risk management, and access to external funding, which are all critical to MSME resilience.

Furthermore, the study introduces a unique contextual contribution by focusing on Bali Province, a region with a tourism-reliant and informal-sector-driven economy. MSMEs in Bali face specific structural challenges that differ from those in more industrialized regions. By capturing insights from this local context, the study not only enriches the empirical literature but also offers practical recommendations for policymakers aiming to design data-driven, financially inclusive MSME development strategies.

### Research Hypotheses

Reliable and relevant financial statements are essential foundations for the decision-making and sustainability of MSMEs. However, many MSME actors still lack adequate knowledge in financial reporting due to limited financial literacy, low adoption of digital banking, and the absence of proper accounting systems (Dewi & Siregar, 2021). Financial literacy enables business owners to understand transaction recording and financial statements. Digital banking helps ensure accurate transaction documentation while accounting information systems support standardized reporting (Lestari & Fauzan, 2023; Hidayat & Arifianto, 2021). Based on the explanation provided above, the proposed hypotheses are:

**H<sub>1</sub>: Financial literacy, digital banking, and accounting information systems have an effect on the quality of MSME financial statements in Bali Province.**

MSME sustainability reflects the long-term ability of a business to survive and grow. Financial literacy helps owners manage and plan their finances effectively. Digital banking provides efficient access to financial services, and accounting systems enable real-time monitoring of business performance. In addition, quality financial reports serve as a basis for performance evaluation and increase trust from partners and financial institutions (Ramadhani & Utami, 2023; Handayani & Prasetyo, 2021). Grounded in the theoretical rationale presented above, the study proposes the following hypotheses:

**H<sub>2</sub>: Financial literacy, digital banking, accounting information systems, and the quality of financial statements affect the sustainability of MSMEs in Bali Province.**

The impact of financial literacy, digital banking, and accounting information systems on MSME sustainability can be reinforced by the quality of financial reports. Well-structured reports improve funding access, credibility, and operational efficiency. Without quality reporting, the benefits of financial knowledge and technology adoption may not be fully realized (Fitriani & Sari, 2022; Dewi & Siregar, 2021). Based on the conceptual arguments outlined earlier, the hypotheses of this study are as follows:

**H<sub>3</sub>: The quality of financial statements mediates the effect of financial literacy, digital banking, and accounting information systems on the sustainability of MSMEs in Bali Province.**

### METHOD

The approach used in this study is a quantitative approach. Based on the level of explanation, this research is associative in nature with a causal type. This study uses primary data obtained through the distribution of questionnaires to respondents. In this study, the sample size was determined based on the approach proposed by Hair et al. (2010), who recommend that the ideal sample size in quantitative research is a minimum of 5 to 10 times the number of indicators used in the model. This is due to the fact that the exact population size is not known. This study uses 20 indicators, so the recommended minimum sample size is between 100 and 200 respondents. Therefore, the sample size in this study was set at 100 MSMEs. The sampling technique used in this study is purposive sampling, a non-probability sampling technique chosen based on specific criteria relevant to the focus of the research. The criteria used in this study include: 1) MSMEs operating in Bali Province; 2) MSMEs actively using digital banking services in their daily business transactions; 3) MSMEs that have implemented accounting information systems for financial recordkeeping and reporting. The sample distribution was done proportionally and evenly across all administrative regions of Bali Province, which consists of 8 regencies and one city. To maintain data distribution balance and reflect the overall conditions of MSMEs across the province, the sample allocation was done using an even distribution approach. Each regency—Jembrana, Tabanan, Badung, Gianyar, Klungkung, Bangli, Karangasem, and Buleleng—was allocated 11



samples. Meanwhile, Denpasar City, as the economic hub and more densely populated area for MSMEs, received a slightly larger allocation of 12 samples.

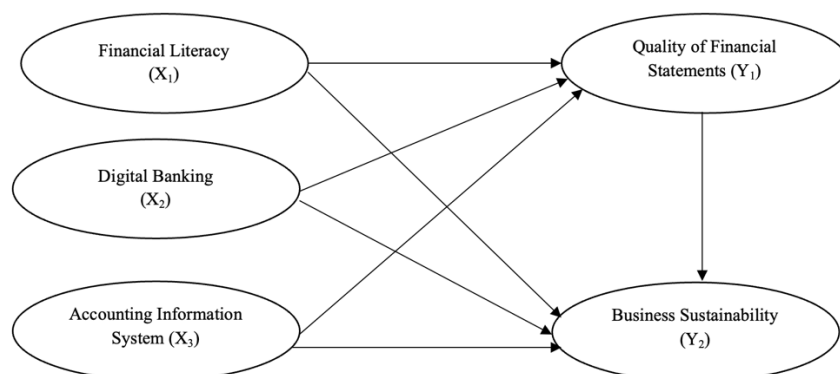
Based on this sample distribution method, the total sample size in this study is 100 MSMEs, which are distributed representatively across all regions of Bali Province. This strategy not only strengthens the generalization of the research results but also ensures that the geographical characteristics, technology adoption levels, and financial capabilities of MSMEs in each region are adequately reflected in the overall analysis. This approach is in line with the purposive sampling principle, where respondents are selected according to the objectives and focus of the research while considering spatial representation. The variables used in this study are categorized into three: independent variables, mediating variables, and dependent variables, summarized as follows:

**Table 1.** Research Variables and Indicators

Jenis Variabel	Nama Variabel	Indikator	Sumber
Independent Variables ( $X_1$ )	Financial Literacy	1. Basic financial knowledge; 2. Financial management; 3. Risk understanding; 4. Decision-making.	Lusardi & Mitchell (2014); OECD (2018)
Independent Variables ( $X_2$ )	Digital Banking	1. Frequency of use; 2. Ease of access; 3. Security; 4. Transaction integration.	BI (2022); OJK (2023)
Independent Variables ( $X_3$ )	Accounting Information System	1. Recording accuracy; 2. Process efficiency; 3. Data integration; 4. System reliability.	Romney & Steinbart (2018); Adawiyah (2021)
Mediating Variables ( $Y_1$ )	Quality of Financial Statements	1. Relevance; 2. Reliability; 3. Understandability; 4. Timeliness.	IAI (PSAK EMKM); Mardiasmo (2018)
Dependent Variables ( $Y_2$ )	Business Sustainability	1. Cash flow stability; 2. Asset growth; 3. Cost efficiency; 4. Crisis adaptability.	Fatoki (2014); Nuringsih & Bandi (2020)

**Source:** Processed data, 2025.

This study employs data processing tools, namely Microsoft Excel and SmartPLS. The conceptual framework of this research is illustrated in Figure 1.



**Figure 1.** Conceptual Framework

## RESULT AND DISCUSSION

## Result

Ghozali (2016) states that Partial Least Squares (PLS) is a powerful analytical method because it does not rely on many assumptions, does not require data to be normally distributed, and does not demand a large sample size. The use of bootstrapping in the application helps address data non-normality and provides more accurate results in testing the significance of coefficients. Furthermore, according to Hair, J. F. et al. (2017) in their book "A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)," classical assumptions in SEM models are less relevant for PLS-SEM because it is based on a non-parametric approach. In PLS-SEM, there is no need to assume normal data distribution, as PLS-SEM focuses solely on the correlations between variables in the model. Hypothesis testing is conducted to answer the research questions and achieve the research objectives. This analysis aims to determine the effect between variables or constructs, which is indicated by the path coefficient value. The significance is assessed at a 0.05 level with a p-value  $< 0.05$  and is considered statistically significant when the t-statistic  $>$  t-table value is 1.985. Table 2 presents the results of the hypothesis testing in this study.

**Table 2.** Hypothesis Testing Results

	<i>Original Sample</i>	<i>Standard Deviation</i>	<i>T Statistics</i>	<i>P Values</i>	<i>Significance</i>
$X_1 \rightarrow Y_1$	0,237	0,094	2,535	0,011	<i>Significant</i>
$X_1 \rightarrow Y_2$	0,207	0,079	2,622	0,009	<i>Significant</i>
$X_2 \rightarrow Y_1$	0,226	0,094	2,392	0,017	<i>Significant</i>
$X_2 \rightarrow Y_2$	0,180	0,098	1,840	0,066	<i>Not significant</i>
$X_3 \rightarrow Y_1$	0,524	0,136	3,853	0,000	<i>Significant</i>
$X_3 \rightarrow Y_2$	0,026	0,134	0,192	0,848	<i>Not significant</i>
$Y_1 \rightarrow Y_2$	0,543	0,131	4,134	0,000	<i>Significant</i>
$X_1 \rightarrow Y_1 \rightarrow Y_2$	0,129	0,070	1,836	0,066	<i>Not significant</i>
$X_2 \rightarrow Y_1 \rightarrow Y_2$	0,123	0,062	1,967	0,049	<i>Significant</i>
$X_3 \rightarrow Y_1 \rightarrow Y_2$	0,285	0,079	3,623	0,000	<i>Significant</i>

Source: processed data, 2025.

Description:

$X_1$  = financial literacy;  $X_2$  = digital banking;  $X_3$  = accounting information system;

$Y_1$  = quality of financial statements; dan  $Y_2$  = business sustainability

Table 2 shows that the t-statistic value of financial literacy ( $X_1$ ) on the quality of financial statements ( $Y_1$ ) is greater than the t-table value ( $2.535 > 1.985$ ), and the p-value is less than 0.05 ( $0.011 < 0.05$ ). Therefore, it can be concluded that financial literacy has a direct, positive, and significant effect on the quality of financial statements. The t-statistic value of financial literacy ( $X_1$ ) on business sustainability ( $Y_2$ ) is also greater than the t-table value ( $2.622 > 1.985$ ), and the p-value is less than 0.05 ( $0.009 < 0.05$ ), indicating that financial literacy has a direct, positive, and significant effect on business sustainability. The t-statistic value of digital banking ( $X_2$ ) on the quality of financial statements ( $Y_1$ ) is greater than the t-table value ( $2.392 > 1.985$ ), and the p-value is less than 0.05 ( $0.017 < 0.05$ ). Thus, it can be concluded that digital banking has a direct, positive, and significant effect on the quality of financial statements. However, the t-statistic value of digital banking ( $X_2$ ) on business sustainability ( $Y_2$ ) is less than the t-table value ( $1.840 < 1.985$ ), and the p-value is greater than 0.05 ( $0.066 > 0.05$ ), indicating that digital banking has a direct, positive but not significant effect on business sustainability. The t-statistic value of accounting information systems ( $X_3$ ) on the quality of financial statements ( $Y_1$ ) is greater than the t-table value ( $3.853 > 1.985$ ), and the p-value is less than 0.05 ( $0.000 < 0.05$ ), indicating that accounting information systems have a direct, positive, and significant effect on the quality of financial statements. The t-statistic value of accounting information systems ( $X_3$ ) on business sustainability ( $Y_2$ ) is less than the t-table value ( $0.192 < 1.985$ ), and the p-value is greater than 0.05 ( $0.848 > 0.05$ ), so it can be concluded that accounting information systems have a direct, positive but not significant effect on business sustainability. The t-statistic value of financial statement quality ( $Y_1$ ) on business sustainability ( $Y_2$ ) is greater than the t-table value ( $4.134 > 1.985$ ), and the p-value is less than 0.05

( $0.000 < 0.05$ ), indicating that the quality of financial statements has a direct, positive, and significant effect on business sustainability.

The hypothesis testing results also show that the t-statistic value for the indirect effect of financial literacy ( $X_1$ ) on business sustainability ( $Y_2$ ) through financial statement quality ( $Y_1$ ) is less than the t-table value ( $1.836 < 1.985$ ), and the p-value is greater than 0.05 ( $0.066 > 0.05$ ). Therefore, it can be concluded that financial statement quality does not mediate the effect of financial literacy on the business sustainability of MSMEs in Bali Province. The t-statistic value for the indirect effect of digital banking ( $X_2$ ) on business sustainability ( $Y_2$ ) through financial statement quality ( $Y_1$ ) is greater than the t-table value ( $1.967 > 1.985$ ), and the p-value is less than 0.05 ( $0.049 < 0.05$ ), indicating that financial statement quality mediates the effect of digital banking on the business sustainability of MSMEs in Bali Province. The t-statistic value for the indirect effect of accounting information systems ( $X_3$ ) on business sustainability ( $Y_2$ ) through financial statement quality ( $Y_1$ ) is greater than the t-table value ( $3.623 > 1.985$ ), and the p-value is less than 0.05 ( $0.000 < 0.05$ ), indicating that financial statement quality mediates the effect of accounting information systems on the business sustainability of MSMEs in Bali Province.

## **Discussion**

### **The Influence of Financial Literacy on the Quality of Financial Statements of MSMEs in Bali Province**

The finding that financial literacy has a positive and significant effect on the quality of MSME financial statements in Bali Province aligns with Human Capital Theory as developed by Becker (1964). This Theory posits that improvements in individuals' knowledge and skills—including in the financial domain—enhance productivity and decision-making quality. In this context, improved financial literacy enables MSME actors to comprehend basic accounting principles, accurately record transactions, and produce financial statements that are reliable and relevant. Improved financial literacy enables MSME actors to better understand and manage their financial resources, which in turn enhances the accuracy and transparency of their financial reporting. Sound financial literacy allows business owners to prepare more informative, timely, and realistic financial reports that reflect the actual financial condition of their enterprises. A study by Haryanto and Nuryani (2020) found that financial literacy plays an important role in improving the quality of MSME financial statements. Their research revealed that MSME actors with higher levels of financial literacy tend to produce financial reports that are more accurate and easier to understand by stakeholders, including investors and financial institutions. This underscores the notion that better education and understanding of financial principles can help MSMEs in Bali Province achieve more effective financial management and improve their competitiveness in the global market. Therefore, efforts to enhance financial literacy among MSME actors in Bali Province are crucial to promoting better financial reporting quality and ensuring the sustainability of MSMEs in the future.

### **The Influence of Digital Banking on the Quality of Financial Statements of MSMEs in Bali Province**

The finding that digital banking has a positive and significant influence on the quality of MSME financial statements in Bali Province is aligned with the Technology Acceptance Model (TAM) proposed by Davis (1989). This Theory suggests that users' acceptance of technology is primarily driven by perceived usefulness and perceived ease of use. In the context of digital banking, MSME actors are more likely to adopt such technology because they perceive it as beneficial in facilitating transaction recording and enhancing the accuracy, timeliness, and transparency of financial reporting. Digital banking enables MSMEs to maintain a structured, automated record of financial transactions, reducing the likelihood of manual errors and improving their ability to produce financial statements that are more credible and comprehensible to external stakeholders. This is supported by the findings of Setiawan and Handayani (2021), who found that MSMEs using digital banking services produced more timely and interpretable financial reports, enhancing their credibility with investors and financial institutions.

### **The Influence of Accounting Information Systems on the Quality of MSME Financial Statements in Bali Province**

The finding that Accounting Information Systems (AIS) have a positive and significant impact on the quality of MSME financial statements in Bali Province can be related to several fundamental theories in accounting and information systems. One relevant Theory is the Accounting Information Systems Theory, as described by Romney and Steinbart (2018). This Theory defines AIS as a combination of human resources, procedures, and technology used to collect, store, and manage financial data, transforming it into useful information for decision-making. AIS plays a crucial role in improving the quality of MSME financial reporting, particularly in Bali. The implementation of integrated and digitalized AIS enables MSMEs to record financial transactions more efficiently and accurately. Through digital systems, business actors can ensure that their financial records are systematically structured, reducing the risk of errors and enhancing transparency and accountability in financial reporting. Research by Setiawan and Handayani (2021) indicated that the adoption of digital financial services, including AIS, significantly affects the quality of MSME financial reports. The study found that MSMEs utilizing accounting systems were able to produce timely and comprehensible financial statements for external parties such as investors and creditors. This suggests that AIS can help MSMEs generate higher-quality financial information, thereby improving their business credibility in the market. Therefore, implementing AIS is vital for encouraging better financial management among MSMEs in Bali Province.

### **The Influence of Financial Literacy on the Business Sustainability of MSMEs in Bali Province**

The finding that financial literacy has a positive and significant influence on the business sustainability of MSMEs in Bali Province can be linked to the Business Sustainability Theory by Elkington (1997), known for the "Triple Bottom Line" concept (economic, social, and environmental), is also relevant. Financial literacy supports the economic dimension of sustainability by helping MSMEs maintain financial stability and manage risks efficiently, allowing businesses to survive and grow in the long term. Financial literacy serves as a critical foundation for sustaining MSME operations, especially in Bali Province, which hosts a dynamic ecosystem of small and medium enterprises. A solid understanding of financial concepts—such as cash management, budgeting, and cost control—enables MSME actors to make more rational and long-term business decisions. Adequate financial literacy also assists MSMEs in managing risks, accessing financing, and maintaining stable cash flow, ultimately supporting business resilience amid economic pressures. Research conducted by Kurniawan and Dewi (2021) revealed that financial literacy has a positive and significant impact on MSME business sustainability. Their study emphasized that MSME actors with high levels of financial literacy are better equipped to sustain their businesses, even during periods of economic uncertainty. These findings underscore that investing in improved financial literacy is a strategic step toward strengthening the resilience of MSMEs and ensuring sustainable business growth in Bali Province.

### **The Influence of Digital Banking on the Business Sustainability of MSMEs in Bali Province**

The finding that digital banking has a positive but not significant influence on the business sustainability of MSMEs in Bali Province can be linked to the Diffusion of Innovations Theory developed by Rogers (2003). This Theory explains that the adoption of new technologies, such as digital banking services, depends on several factors, including user understanding, supporting infrastructure, and existing cultural and habitual practices. Although digital banking offers easier access and transaction efficiency, not all MSME actors are ready or able to optimize this technology due to limited digital literacy and inadequate technological infrastructure. Although the development of digital banking services in Bali is growing rapidly and offers easier access to financial services, this study finds that its effect on MSME business sustainability is positive but statistically insignificant. This indicates that while digital banking enhances transaction efficiency and access to capital, not all MSME actors are yet able to optimize these services to support business continuity. Factors such as limited digital literacy, inadequate technological infrastructure, and entrenched traditional financial practices remain significant barriers. These findings align with research by Nugroho and Sari (2022), which also found that although digital banking positively impacts MSME sustainability, the effect is not statistically significant. Likewise, Setiawan and Handayani (2021) highlighted that MSMEs have not fully adopted digital banking due to technical



constraints and preferences for conventional financial services. Therefore, strengthening digital capabilities and promoting financial education are essential steps toward optimizing digital banking usage to support MSME business sustainability in Bali.

### **The Influence of Accounting Information Systems on the Business Sustainability of MSMEs in Bali Province**

The finding that Accounting Information Systems (AIS) have a positive but not significant influence on the business sustainability of MSMEs in Bali Province can be linked to the Resource-Based View (RBV) theory developed by Barney (1991). RBV posits that the sustainability and competitive advantage of an organization depends on how internal resources, including information systems, are effectively utilized and integrated with long-term business strategies. Although AIS can enhance financial recordkeeping efficiency and reporting accuracy, without adequate technological competence and strategic understanding, the system does not significantly impact business sustainability. This indicates that although the implementation of AIS enhances the efficiency of financial recordkeeping and accuracy in financial statements, it does not directly contribute to long-term business sustainability. Several factors, such as limited technological competence, lack of training, and low awareness of the importance of timely and relevant accounting information, are the main barriers to optimizing this system. These findings align with those of Putra and Yuliana (2021), who stated that AIS contributes to more organized business management, but its influence on MSME sustainability remains statistically insignificant. A similar study by Lestari and Pramudena (2022) also mentioned that although MSMEs have begun using AIS, its impact on business continuity has not been visibly realized due to the lack of integration between the system and long-term business strategies. Therefore, enhancing digital accounting literacy and providing intensive mentoring is crucial to ensuring that using AIS genuinely supports the sustainability of MSMEs in the digital era.

### **The Influence of Financial Statement Quality on the Business Sustainability of MSMEs in Bali Province**

The findings indicate that financial statement quality has a positive and significant influence on the business sustainability of MSMEs in Bali Province, which can be related to the Agency Theory introduced by Jensen and Meckling (1976). Agency Theory explains that high-quality financial statements play a crucial role in reducing information asymmetry between business owners (principals) and managers (agents). Accurate, transparent, and reliable financial reporting enables owners to make better and strategic business decisions that support business sustainability. Additionally, the Stakeholder Theory developed by Freeman (1984) is relevant because good financial statement quality meets the informational needs of stakeholders such as investors, creditors, and customers, all of whom contribute to the long-term sustainability of the business. Research by Wahyuni and Sari (2020) reinforces this notion by showing that MSMEs with quality financial reports tend to sustain their businesses better due to gaining trust and support from stakeholders. Therefore, improving financial statement quality not only enhances transparency and accountability but also serves as a critical foundation for MSME business sustainability in Bali.

### **The Role of Financial Statement Quality in Mediating the Influence of Financial Literacy on the Business Sustainability of MSMEs in Bali Province**

The quality of financial statements does not mediate the influence of financial literacy on the business sustainability of MSMEs in Bali Province. Despite MSME actors possessing good financial literacy, this does not automatically translate into the preparation of quality financial statements, which in turn fails to strengthen the impact of financial literacy on business sustainability. This finding suggests a gap between the financial knowledge possessed and the actual financial reporting practices. The failure to apply financial literacy to standardized accounting practices means that financial statements are not yet an effective instrument in supporting long-term business decision-making. This result is consistent with research by Nuringsih and Bandi (2020), who found that the quality of financial statements does not significantly mediate the relationship between financial literacy and MSME sustainability. They concluded that the financial understanding of business actors is often not translated into accurate

financial recordkeeping and reporting systems. Therefore, it is essential for MSME actors not only to enhance their financial literacy but also to develop technical competencies in preparing financial statements so that the benefits of literacy can be internalized into sustainable business strategies.

### **The Role of Financial Statement Quality in Mediating the Influence of Digital Banking on the Business Sustainability of MSMEs in Bali Province**

The quality of financial statements mediates the influence of digital banking on the business sustainability of MSMEs in Bali Province. The quality of financial statements plays a significant mediating role in strengthening the influence of digital banking on MSME sustainability in Bali. The use of digital banking not only facilitates transactions and enhances financial management efficiency but also contributes to improving the accuracy and orderliness of MSME financial recordkeeping. Transaction data documented digitally through modern banking services helps MSME actors prepare financial statements that are more systematic, timely, and trustworthy. These high-quality financial statements ultimately support business actors in making informed decisions, managing cash flow, and meeting financing requirements from financial institutions, making the quality of financial statements a crucial element in sustaining businesses. This reflects the notion that financial digitalization through digital banking must be accompanied by strengthening the capacity for financial statement preparation so that MSMEs can survive and grow sustainably, particularly in Bali Province.

### **The Role of Financial Statement Quality in Mediating the Influence of Accounting Information Systems on the Business Sustainability of MSMEs in Bali Province**

Accounting information systems (AIS) mediate the influence of digital banking on the business sustainability of MSMEs in Bali Province. The quality of financial statements becomes a key element in mediating the influence of accounting information systems (AIS) on the sustainability of MSMEs, particularly in Bali Province. The implementation of AIS enables MSMEs to record and manage financial data in a structured, fast, and accurate manner. However, the real benefits of AIS will only be fully realized if the system is able to produce high-quality financial statements - statements that are relevant, reliable, comparable, and easy to understand. High-quality financial statements support strategic decision-making, long-term business planning, and access to external financing, all of which contribute to business sustainability. Therefore, strengthening AIS capacity among MSMEs should be accompanied by an increasing understanding of the importance of high-quality financial reporting as the foundation for business continuity in the future.

## **CONCLUSION**

Based on the data analysis and discussion in the previous chapters, the following conclusions can be drawn; financial literacy, digital banking, and accounting information systems have a positive and significant influence on the quality of financial statements of MSMEs in Bali Province; financial literacy and the quality of financial statements have a positive and significant impact on business sustainability, while digital banking and accounting information systems have a positive but not significant effect on the business sustainability of MSMEs in Bali Province; and the quality of financial statements is able to mediate the influence of digital banking and accounting information systems on business sustainability, while the quality of financial statements does not mediate the effect of financial literacy on the business sustainability of MSMEs in Bali Province.

Based on the research findings, it is recommended that MSME actors in Bali Province improve their financial literacy capacity not only conceptually but also in practical application. Financial literacy training should focus on the ability to prepare and understand simple financial statements so that financial knowledge can be effectively implemented in daily business management. Furthermore, the utilization of digital banking and accounting information systems should be optimized. Local governments, together with financial institutions, are expected to provide mentoring programs and socialization about the use of financial technologies that are aligned with the needs of MSMEs. With proper understanding, business actors can leverage digital features to enhance financial efficiency, transparency, and accountability. The quality of financial statements has proven to be an important element in bridging the utilization of financial technologies and

business sustainability. Therefore, strengthening financial recording and reporting practices through training based on simple accounting applications should become a priority in MSME empowerment agendas. Collaboration between institutions such as the OJK (Financial Services Authority), Bank Indonesia, and the Department of Cooperatives & MSMEs is also essential in creating policies that support the integration of financial digitalization and accounting reporting. Support in the form of regulations, incentives, and technological infrastructure will strengthen the foundation of MSME sustainability in the digital economy era.

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