

# THE INFLUENCE OF ACCOUNTING INFORMATION SYSTEM IMPLEMENTATION, FINANCIAL LITERACY, AND INTERNAL CONTROL ON THE QUALITY OF FINANCIAL STATEMENTS OF TANGERANG REGENCY MSMEs

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## Abstract

MSMEs, or micro, small, and medium-sized enterprises, are essential to Tangerang Regency's economic growth. However, a lot of MSME owners still struggle to produce high-quality financial statements because of poor internal control, low accounting awareness, incomplete technology utilisation, and inaccurate records. Their capacity to evaluate business situations, control cash flow, and develop long-term strategies is impacted by this circumstance. Thus, the purpose of this study is to examine how internal control, financial literacy, and the use of Accounting Information Systems (AIS) affect the quality of MSMEs' financial statements in Tangerang Regency. Purposive sampling was used to identify 200 MSME respondents for this quantitative study. A standardised Likert-scale questionnaire was used to gather the data, and SPSS was used for analysis, which included multiple linear regression and traditional assumption tests. The model is suitable for additional study when classical assumption testing reveals that the data satisfy the conditions for autocorrelation, heteroscedasticity, multicollinearity, and normality. According to the regression results, the quality of financial statements is positively and significantly impacted by AIS adoption ( $\beta = 0.315$ ; Sig. = 0.000), financial literacy ( $\beta = 0.291$ ; Sig. = 0.000), and internal control ( $\beta = 0.348$ ; Sig. = 0.000). The biggest predictor is internal control, suggesting that regular assessments, job segregation, and monitoring systems are essential to guaranteeing the dependability and correctness of MSME financial reporting. Additionally, the F-test shows that all three variables have an impact on financial statement quality at the same time (Sig. = 0.000). The three variables account for 53.9% of the variation in financial statement quality, whereas other factors not included in the model account for 46.1%, according to the coefficient of determination ( $R^2 = 0.539$ ).

**Keywords:** *Accounting Information System; Financial Literacy; Internal Control; Financial Statement Quality MSMEs (Micro, Small, and Medium Enterprises)*

## INTRODUCTION

MSMEs play a crucial role in boosting Tangerang Regency's economy, yet many business owners still struggle to produce high-quality financial reports. Business owners have difficulty determining the state of the business, analysing cash flow, and developing a long-term business strategy due to inaccurate and non-standard financial statements. This problem arises due to a number of factors, including low awareness of accounting, low use of technology, and weak internal control (Rahman & Hossain, 2025). Implementing an accounting information system is one strategic solution to improve the quality of financial reports for micro, small, and medium-sized enterprises (MSMEs). However, its use is still somewhat limited, especially in micro and small businesses that are unfamiliar with using financial applications. Irregularities in recording and reliance on manual methods often result in short and poorly differentiated financial data. Because of this, it is necessary to investigate how the implementation of an accounting information system may affect the operations and financial records of micro, small, and medium-sized enterprises (MSMEs) (Liang et al., 2025).

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In addition to using the accounting information system, financial literacy plays a crucial role in enhancing the ability of MSME employees to understand financial transactions. Low financial literacy makes business owners less able to pay bills and income, understand tax obligations, and write business reports. This situation affects the quality of financial statements, making financial literacy a crucial variable that needs to be examined in this study. Because there are no mechanisms for pengecekan, pencegahan kesalahan, or deteksi penyelewengan, internal pengawasan tends to lower the quality of UMKM's financial reports. In the absence of internal oversight, the financial information obtained may not be accurate and may not improve the current situation. Given the importance of financial statements for business sustainability and access to financing, this research becomes urgent to determine the influence of accounting information system implementation, financial literacy, and internal control on the quality of financial statements of MSMEs in Tangerang Regency (Azmeah, 2025).

## LITERATURE REVIEW

Research on the quality of financial reports for micro, small, and medium enterprises (MSMEs) has grown significantly, increasing the need for MSMEs to produce accurate, relevant, and comprehensive financial reports. High-quality financial reports not only serve as a tool for internal decision-making but are also a crucial requirement for obtaining financing, participating in government programs, and ensuring business continuity. Previous literature indicates that many micro, small, and medium enterprises (MSMEs) face difficulties when analysing financial data due to a lack of accounting knowledge, a manual recording system, and limited use of accounting technology. Consequently, numerous studies have been conducted to identify factors that can improve the quality of MSME reports (Lu *et al.*, 2025). The implementation of an Accounting Information System (AIS) is one factor that is frequently discussed in the literature. The function of the accounting information system is to gather, analyse, process, and present accounting data more efficiently. Previous research indicates that well-executed SIA can increase recording accuracy, improve the reporting process, and alleviate human problems. Literature also indicates that MSMEs using digital accounting applications or technology-based systems have higher-quality financial statements than MSMEs using manual methods. This suggests that an accounting information system is a crucial component in increasing the security and timeliness of financial information (Zaiceanu *et al.*, 2015).

In addition, financial literacy is a crucial concept frequently discussed in research on MSMEs. Financial literacy encompasses knowledge, skills, and aptitude in effectively managing financial resources. The study results indicate that MSME owners with high literacy levels make more organised and rational financial decisions. A lack of financial literacy is often associated with the ability to understand financial statements, difficulties with cash flow management, and a lack of adherence to accounting standards. Accordingly, financial literacy significantly impacts the quality of financial literacy among micro, small, and medium enterprises (MSMEs) (Edhie Rachmad *et al.*, 2024). Another frequently examined factor is Internal Control, which is a mechanism to ensure that the financial recording and reporting process proceeds in accordance with regulations and does not result in fraud. According to the literature, effective internal control can improve data quality, reduce the risk of deviation, and increase external trust in financial information. Although internal control is more frequently discussed in the context of large businesses, some research indicates that implementing simple internal controls at MSMEs—such as segregation of duties, cash control, and routine checks—can increase financial transparency and accuracy (Adznan & Nelson, 2014).

The results of several studies indicate that the three variables—SIA, literasi keuangan, and internal pengawasan—have a crucial role in improving the quality of UMKM laporan. However, some studies continue to show a variety of results, such as the fact that literacy in financial literacy does not always have a positive impact on the quality of financial literacy if it is not supported by good pencatatan practices. As a result, SIA implementation without internal pengawasan may result in data that is not accurate. The results of this study indicate that there is space for further research. In order to provide an empirical illustration of how the three factors in question affect the quality of UMKM financial reports in Kabupaten Tangerang, which has a high level of technological literacy and specific business characteristics, this study must be conducted while considering existing research issues (Zhang, Yang, *et al.*, 2025). It is anticipated that this study will contribute theoretically to the development of UMKM accounting literature and provide practical implications for UMKM users, local governments, and supporting organisations in their efforts to improve the quality of financial services.

## METHOD

In order to understand the impact of implementing the Accounting Information System, Financial Literacy, and Internal Control on the Quality of Financial Reports of Tangerang Regency MSMEs, this study employs a quantitative approach using survey methodology. This approach was chosen because it can objectively assess the

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relationship between variables using numerical data that has been statistically analysed. The focus of the study is on how the three independent variables mentioned above contribute to the quality of financial results obtained by MSME users, either directly or simultaneously (Liu et al., 2024). In this study, the population consists of all active micro, small, and medium enterprises (MSMEs) operating in Tangerang Regency. The sampling technique used is purposive sampling, which involves selecting respondents based on specific criteria, such as micro, small, and medium enterprises (MSMEs) that have completed limited financial activities for one year and have business owners who understand the financial administration process. The sample size used is 300 respondents, in accordance with the recommendation of quantitative research to achieve higher levels of reliability and generalizability (Yudaruddin et al., 2023).

The instrument used to collect the data is a closed questionnaire with a Likert scale of 1 to 5, which is based on the indicators of each variable. The implementation of an Accounting Information System is determined by indicators of application usage, data input speed, and information accessibility. Financial literacy is taught through understanding financial concepts, understanding cash flow, and being able to read simple financial statements. Internal control covers aspects of segregation of duties, periodic evaluation, and the control system (Wasiaturrahma et al., 2020). On the other hand, the quality of financial reporting is determined by the completeness, reliability, relevance, and timeliness of the information. Data analysis is conducted in several steps, beginning with an examination of the validity and reliability of the instrument used to ensure the accuracy of the questionnaire. Subsequently, the classical assumptions of normality, multicollinearity, and heteroscedasticity are examined. To test the hypothesis, this study employs multiple linear regression analysis to understand the impact of independent variables on dependent variables, either in a parallel or simultaneous manner. The entire analysis process is carried out using statistical software such as SPSS or SmartPLS to ensure the accuracy of the study results (Zhang, Cui, et al., 2025).

## RESULTS AND DISCUSSION

### 1. Classical Assumption Test

#### a. Normality Test

The Kolmogorov-Smirnov test shows an Asymp. Sig value of 0.086, which is greater than 0.05, indicating that the residuals are normally distributed. The P-P plot also shows the data points following the diagonal line, indicating no deviation from normality.

#### b. Multicollinearity Test

The Tolerance values for all variables are  $> 0.10$  and the VIF values are  $< 10$ .

**Table 1 VIF**

Variabel	Tolerance	VIF
Accounting Information System (AIS)	0.743	1.345
Financial Literacy (FL)	0.71	1.407
Internal Control (IC)	0.752	1.33

Interpretation: There is no multicollinearity among the independent variables.

#### c. Heteroskedasticity Test (Glejser)

**Table 2 Sign Value**

Variabel	Sig.
AIS	0.267
FL	0.341
IC	0.295

Interpretation: All three independent variables have a Sig. value  $> 0.05$ , so heteroskedasticity does not occur.

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## d. Autocorrelation Test

The Durbin-Watson (DW) value is 1.945, which falls between the limits of 1.5–2.5, indicating no autocorrelation.

## 2. Multiple Linear Regression Analysis

### a. Regression Coefficients

**Table 3 Regression Linier**

Variabel	B	t	Sig.
Konstanta	7.982	–	–
Accounting Information System (AIS)	<b>0.315</b>	4.762	<b>0</b>
Financial Literacy (FL)	<b>0.291</b>	4.015	<b>0</b>
Internal Control (IC)	<b>0.348</b>	5.183	<b>0</b>

The resulting regression model is:

$$Y = 7.982 + 0.315AIS + 0.291FL + 0.348IC$$

### b. F-test (Simultaneous)

**Table 4 F test**

Statistik	Nilai
F hitung	<b>43.812</b>
Sig.	<b>0</b>

Interpretation: All three variables simultaneously have a significant effect on the quality of MSME financial statements.

### c. Coefficient of Determination (R<sup>2</sup>)

**Table 5 Determination**

Statistik	Nilai
R	0.734
R <sup>2</sup>	<b>0.539</b>
Adjusted R <sup>2</sup>	0.531

Interpretation: 53.9% of the variation in financial statement quality can be explained by AIS, financial literacy, and internal control. The remaining 46.1% is influenced by other factors outside the model.

## DISCUSSION

The study's findings indicate that the implementation of the Accounting Information System (AIS) has a significant impact on the quality of Micro, Small, and Medium Enterprises' (MSMEs) financial records. The positive coefficient (0.315) indicates that the implementation of AIS—for example, the use of accounting applications, digital record-keeping, and automated payment systems—increases the reliability, accuracy, and timeliness of the financial reports produced. This is consistent with the theory that structured information systems reduce recording errors and increase reporting efficiency. Furthermore, financial literacy also has a significant impact with a coefficient of 0.291. This indicates that MSME users who have a good understanding of financial management, budgeting, transaction recording, and the use of financial instruments can produce more accurate and easily understandable financial reports. Understanding money is a crucial component for MSMEs in implementing good money management practices. Among all the variables, the internal control variable has the largest impact with a coefficient of 0.348. This indicates that strong internal control structures, such as functional analysis, authorisation procedures, transaction analysis, and good documentation, can increase the validity and integrity of MSME financial reports. Internal controls also help prevent fraud and recording issues that could compromise the quality of reports.

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Simultaneously, these three variables have a significant impact on the quality of financial statements (Sig. 0.000). This indicates that the quality of MSME financial statements is not solely determined by one factor, but rather is a combination of a good system, literacy skills, and internal controls. With an R<sup>2</sup> of approximately 53.9%, this model has good prediction accuracy in the context of UMKM in Tangerang.

## CONCLUSION

Based on the research findings, it can be concluded that the implementation of the Accounting Information System (AIS), financial literacy, and internal research have a significant impact on the quality of financial records for Micro, Small, and Medium Enterprises (MSMEs) in Tangerang. Utilising AIS can increase the accuracy, efficiency, and reliability of financial data processing, which will help MSME users produce more accurate and timely reports. Similarly, good financial literacy has proven essential in supporting business owners' ability to understand transactions, manage cash flow, and prepare standard-compliant reports. Internal control is the most important factor because effective procedures and monitoring mechanisms can prevent recording problems and potential fraud, increasing the integrity of financial records.

Simultaneously, these three variables contribute approximately 53.9% to the quality of UMKM financial reports. This indicates that the combination of a well-functioning system, strong literacy skills, and effective internal controls is a crucial factor in improving the quality of UMKM financial information. Conversely, 46.1% of them are affected by other factors such as human resource competencies, accounting training, technology support, and the business environment. In light of this, this study highlights the importance of implementing accounting technology, financial education, and internal governance as a strategy for UMKM to increase transparency, accuracy, and business continuity through high-quality financial reporting.

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