

Financial Reporting Quality and Business Sustainability in Micro-Small Enterprises: Education, Business Scale, and Technology

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) play a central role in driving economic growth across ASEAN and Indonesia, contributing 44,8% to regional GDP and employing 97% of the national workforce. Despite their significance, MSMEs face persistent challenges in financial literacy, technology adoption, and the quality of financial reporting. The 2024 Business Fitness Index reports that Indonesian MSMEs scored only 48 out of 75 in financial health, with 75% still relying on manual bookkeeping and just 34% utilizing digital tools. This study examines the influence of education level, business scale, and information technology utilization on financial reporting quality and its implications for business sustainability. Data were collected from 130 Micro and Small Enterprises in West Jakarta through purposive sampling. The analysis used Partial Least Squares–Structural Equation Modeling (PLS-SEM) with SmartPLS 4.0. Results indicate that education level and technology utilization have a significant positive effect on financial report quality and business sustainability. However, business scale does not show a significant impact. These findings highlight the need to enhance financial literacy and digital adoption among Micro and Small Enterprises to improve reporting quality and support sustainable business performance.

Keywords: Education Level, Information Technology, Financial Reporting Quality, Business Sustainability

JEL Classification: L26, M41, O33, I25

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are a vital component of the economic landscape across Southeast Asia and Indonesia. In the ASEAN region, these enterprises account for 99,9% of business entities, employing 85% of the workforce and contributing 44,8% to regional GDP, with 18% to total exports (ASEAN, 2024). In Indonesia, they represent 99% of all business entities, contributing over 60% to national GDP, equivalent to IDR 8.573 trillion, and providing jobs to 97% of the national labor force (UKM Indonesia, 2023).

Despite making a significant contribution to the economy, MSMEs still face various significant financial challenges. One of the main factors causing this condition is low financial literacy. Farina and Opti (2019) found that only 41% of

MSMEs in Jakarta recorded all their business transactions completely, and as many as 77% had not prepared financial reports according to accounting standards. This problem is largely caused by a lack of financial understanding among MSMEs. This low level of financial literacy is closely related to the educational background of MSMEs, which is generally still low. Data from Badan Pusat Statistik (2023) supports this, showing that more than half (52,66%) of MSMEs have only completed basic education. In line with this, the 2024 Business Fitness Index released by OCBC NISP shows that the financial health of MSMEs in Indonesia is still weak, with an average score of only 48 out of 75. In addition, 44% of MSMEs still mix personal and business finances, 75% still rely on manual bookkeeping, and only 34% have used digital financial tools (OCBC NISP, 2024).

The persistence of financial difficulties is intricately linked to the long-term viability and resilience of micro, small, and medium-sized enterprises (MSMEs) in developing economies. According to Lisnurasiyah and Utami (2022), MSMEs constitute a significant portion of the economic framework in these regions. Nevertheless, maintaining the endurance and sustainability of such enterprises poses a persistent challenge. Numerous studies highlight that a substantial number of MSMEs face difficulties in sustaining operations over an extended period. Only a minor fraction of newly launched businesses manage to remain operational beyond five years. Alarmingly, many MSMEs discontinue operations within the initial months, with the majority failing during their first year. Additionally, only a limited proportion succeed in operating beyond the first few months, fewer still survive past the two-year mark, and an even smaller number continue for four years or more. A primary factor contributing to this high failure rate is the deficiency in sound financial management practices.

Inadequate financial management often results in poor-quality financial reporting among MSMEs. For instance, research by Farina and Opti (2019) found that most MSMEs in Jakarta do not maintain complete transaction records or produce financial statements in accordance with established accounting standards. Furthermore, a significant number of MSMEs across Indonesia still rely heavily on manual bookkeeping methods (OCBC NISP, 2024). In reality, the quality of financial reporting forms a crucial foundation for robust business management. High-quality financial statements should reflect key attributes such as relevance, reliability, comparability, and clarity, as stipulated in the Financial Accounting Standards for Micro, Small, and Medium-Sized Entities (SAK EMKM). These reports are not only essential for internal assessment and strategic decision-making by business owners but also play a critical role in establishing trust with external stakeholders, including financial institutions, for funding purposes.

Consequently, the inability of micro and small businesses to produce reliable financial reports may significantly hinder their capacity for growth and represents a major threat to business continuity, particularly in highly competitive markets such as West Jakarta. Therefore, gaining a comprehensive understanding of the key determinants affecting financial reporting quality in micro and small enterprises is essential for developing effective, targeted interventions.

The quality of financial reports and the sustainability of an entity's business, especially in Micro, Small, and Medium Enterprises (MSMEs), are influenced by various interrelated internal and external factors. The level of education is one of the fundamental factors because it forms the intellectual and managerial capabilities of business actors. The higher the level of formal education taken, including the suitability of the major, the greater the individual's understanding of business management, including essential financial and accounting aspects, thus having a positive impact on the ability to produce quality financial reports and improve business performance and competitiveness (Sukriani et al., 2018; Nurohmah, 2023; Arisandi et al., 2022). Furthermore, business scale, which is classified based on criteria such as total assets, number of employees, capital, and annual sales turnover according to UU No. 20 of 2008 and PP No. 7 of 2021, also determines the complexity of accounting and financial information needs. As the scale of the business increases, the need for structured financial management and reliable financial reports for strategic decision-making increases, encouraging MSMEs to learn and implement better accounting practices for the sustainability of their businesses (Darea et al., 2023; Malindar et al., 2023; Aullah et al., 2022). In addition, the use of information technology (IT) plays a crucial role in supporting financial operations and reporting in the digital era. The use of IT, from computerized accounting to the use of digital platforms for marketing and operations, can significantly increase data processing efficiency, reduce the potential for errors, produce relevant and timely financial information, and strengthen relationships with customers and suppliers, all of which contribute to improving the quality of financial reports and supporting long-term business sustainability (UU No. 11 of 2008; Sukriani et al., 2018; Kurniawan et al., 2023; Hanifah et al., 2020). Thus, the synergy between adequate education level, management that is in accordance with the scale of the business, and effective adoption of information technology are important determinants for MSMEs in presenting quality financial reports while maintaining the sustainability of their business. In short, these factors are strongly suspected of influencing the ability of Micro and Small Enterprises to produce quality financial reports.

To explain how these internal factors of Micro and Small Enterprises affect reporting capabilities and sustainability, this study can be based on Stewardship Theory (Donaldson & Davis, 1991) and Resource-Based View (RBV) Theory (Wernerfelt, 1984). Stewardship Theory is relevant because it explains how the motivation and responsibility of Micro and Small Enterprises managers (as stewards) to act in the best interests of their organization encourage optimal resource management and improved reporting quality, which ultimately supports business sustainability. Meanwhile, RBV Theory provides a framework that internal factors of Micro and Small Enterprises (such as quality of human resources, technology, information systems) are strategic resources that, if managed effectively, will build superior reporting capabilities and become the basis for competitive sustainability.

Previous studies on the relationship between education level, business scale, utilization of information technology (IT), quality of financial reports, and the sustainability of MSME businesses have shown inconsistent results. Inconsistent

findings are seen in the influence of education level. Several studies report a positive relationship with the quality of financial reports (Nurohmah, 2023; Arisandi et al., 2022; Sukriani et al., 2018), while other studies find no significant relationship (Hanifah et al., 2020; Aroginanto et al., 2023). A similar pattern is observed in the influence of education level on business sustainability, with some studies showing a positive impact (Wawo et al., 2023; Slamet & Bintoro, 2019) and others not significant (Prakoso & Bachtiar, 2022; Tupamahu et al., 2021). Likewise, the influence of business scale on the quality of financial reports produces mixed findings. Several studies have shown a positive effect (Ngoc Hung et al., 2023; Malindar et al., 2023; Arisandi et al., 2022; Anugraheni, 2018), but other studies have reported insignificant results (Aroginanto et al., 2023). Regarding business sustainability, business scale has also been reported to have a positive effect (Prakoso & Bachtiar, 2022; Vernanda et al., 2023; Utami, 2018; Tupamahu et al., 2021) while being insignificant in different studies (Indarto & Santoso, 2020; Riansyah & Andayani, 2022). Furthermore, IT utilization also shows varying results in relation to the quality of financial reports. Several studies found a positive effect (Hanifah et al., 2020; Suryanti et al., 2022; Rahayuningsih & Utami, 2022; Yaya & Pawestri, 2021; Sukriani et al., 2018), but other studies did not find significance (Lantu et al., 2023). In the context of business sustainability, IT utilization was reported to have a positive effect (Kurniawan et al., 2023; Ganlin et al., 2021; Trihastuti & Rachmawati, 2021) but was also insignificant according to other researchers (Rohmah & Arisudhana, 2022; Hidayat et al., 2020). Finally, the effect of financial report quality on business sustainability also shows inconsistency. Several studies identified a positive influence (Lisnurasiyah & Utami, 2022; Cahyani et al., 2023; Ye & Kulathunga, 2019; Lubis & Lufriansyah, 2024), while other studies found no significant relationship (Marota et al., 2020).

This research is motivated by the inconsistency of previous research findings (research gap) regarding the impact of education level, business scale, and utilization of information technology on the quality of financial reporting and sustainability of Micro and Small Enterprises. The main objective of this study is to provide current empirical insights that clarify the relationship between these variables by applying the model to micro and small enterprises located in West Jakarta. The selection of West Jakarta as the research location is based on statistical data showing that this area has the highest concentration of micro and small enterprises in the DKI Jakarta area (BPS, 2024). Therefore, the novelty of this study lies in its contribution to resolving the ongoing debate in the literature by empirically testing the relationship of variables in this particular geographic and economic context.

Based on the theoretical foundation and previous empirical findings, the study proposes the following hypotheses:

- H1:** Education level has a positive effect on the quality of financial reporting.
- H2:** Business scale has a positive effect on the quality of financial reporting.
- H3:** Information technology utilization has a positive effect on the quality of financial reporting.
- H4:** Education level has a positive effect on business sustainability.

H5: Business scale has a positive effect on business sustainability.

H6: Information technology utilization has a positive effect on business sustainability.

H7: Financial reporting quality has a positive effect on business sustainability.

METHOD

A. Research Design

This study employs a quantitative approach with a causal research design to examine the hypothesized relationships among variables. The independent variables, education level, business scale, and use of information technology, are analyzed to the dependent variables, financial reporting quality and business sustainability. Data were collected through a structured questionnaire specifically designed to assess the influence of the independent variables on financial reporting and sustainability in Micro and Small Enterprises. Responses were measured using a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

B. Variable Definitions and Operationalization

1. **Education Level (X1)** refers to the formal educational attainment of Micro and Small Enterprises owners, which influences their cognitive and managerial capabilities, particularly in handling financial activities. This variable is assessed through five indicators adapted from prior research (Nurohmah, 2023; Arisandi et al., 2022; Puspita & Pramono, 2019): highest level of education, alignment between field of study and business type, role of education in management, its influence on financial decisions, and perceived benefits for operational performance.
2. **Business Scale (X2)** denotes the size and capacity of Micro and Small Enterprises, reflected in financial and operational metrics. This variable includes four indicators: annual turnover, number of employees, capital amount, and total business assets, based on national legal guidelines (Law No. 20/2008; PP No. 7/2021) and previous studies (Utami, 2018; Malindar et al., 2023).
3. **Information Technology Utilization (X3)** captures the extent to which Micro and Small Enterprises use digital systems in managing financial records. The indicators, drawn from Rahayuningsih & Utami (2022), include the use of computerized accounting, reliance on manual systems, use of computers in daily operations, IT maintenance, and involvement in digital upgrades.
4. **Financial Reporting Quality (Z)** is the dependent variable that reflects how well Micro and Small Enterprises financial reports comply with qualitative attributes outlined in SAK EMKM. Measurement is based on eleven indicators: feedback value, comparability, relevance, predictive value, faithful representation, neutrality, timeliness, verifiability, understandability, periodicity, and consistency (Farina & Opti, 2019; Nikmatuniayah et al., 2023).
5. **Business Sustainability (Y)** represents the long-term survival and growth of Micro and Small Enterprises. Six performance-based indicators are used:

sales growth, customer base expansion, employee growth, profit increase, asset accumulation, and development of working capital (Ye & Kulathunga, 2019; Lisnurasiyah & Utami, 2022).

All variables are measured using a five-point Likert scale to ensure consistency in data collection. Table 1 below summarizes the operational definitions, dimensions, and indicators used for each research variable.

Table 1. Variables, Dimensions, and Indicators

Variable	Dimension	Indicator	Reference	Scale
Education Level	-	1.Last level of education 2.Suitability of direction 3.Role of Education in Business 4.Impact of Education on Business Finance 5.Benefits of Education for Work Improvement	(Nurohmah, 2023), (Arisandi et al., 2022), and (Puspita & Pramono, 2019)	Ordinal
Business Scale	-	1.Business turnover in a year 2.Number of employees 3.Amount of business capital 4.Total nominal business assets	(Utami, 2018); (Arisandi et al., 2022); (Riansyah & Andayani, 2022), (Malindar et al., 2023), (Nikmatuniayah et al., 2023)	Nominal
Utilization Technology Information	1.Computers 2.Development	1.Computerization of accounting 2. Level of reliance on traditional record-keeping systems 3.Use of computers 4.Computer maintenance 5.Technology development	(Rahayuningsih & Utami, 2022)	Ordinal
Financial Reporting Quality	1.Relevant 2.Faithful representation 3.Timeliness 4.Verifiability 5.Understandability 6.Comparability	1.Feedback Value 2.Comparability 3.Relevance 4.Predictive Value 5.Faithful Representation 6.Neutrality 7.Timeliness 8.Verifiability 9.Understandability 10.Periodicity 11.Consistency	(Lisnurasiyah & Utami, 2022); (Rahayuningsih & Utami, 2022), (Farina & Opti, 2019), and (Nikmatuniayah et al., 2023).	Ordinal

Business Sustainability	1.Sales growth 2.Profit growth	1.Increase in sales/turnover 2.Increase in the number of customers 3.Increase in the number of employees 4.Annual profit growth 5.Annual asset development 6.Annual working capital development	(Ye & Kulathunga, 2019); (Lisnurasiyah & Utami, 2022) dan (Cahyani et al., 2023).	Ordinal
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Source: Literature Review

C. Population and Sampling

The study targets Micro and Small Enterprises operating in West Jakarta. Based on data from BPS DKI Jakarta (2024), the total population comprises 19,730 registered micro and small businesses. Due to the size of this population, a purposive sampling method was applied to select 130 Micro and Small Enterprises that met two main criteria: operating within West Jakarta and having formal financial reports. This non-probability sampling technique ensures the inclusion of respondents whose profiles are aligned with the research objectives (Elvera & Astarina, 2021).

D. Data Collection Procedures

Primary data were gathered through both online and offline questionnaires. Official approval was obtained from the West Jakarta PPKUKM Sub-department before data collection began. Offline questionnaires were distributed directly during local Micro and Small Enterprises events such as bazaars, while the online version was managed via Google Forms to facilitate broader reach. The final instrument consisted of 31 items: five for education level, four for business scale, five for IT usage, eleven for financial report quality, and six for business sustainability. All items were rated on a five-point Likert scale.

E. Data Analysis Technique

The data were analyzed using the Partial Least Squares (PLS) method within the framework of Structural Equation Modeling (SEM), utilizing SmartPLS 4.0 software. The analysis comprised two main stages:

1. **Measurement Model (Outer Model):** Convergent validity was assessed through factor loadings, with a threshold of $>0,50$. Average Variance Extracted (AVE), composite reliability, and Cronbach's alpha were also tested to confirm construct validity and reliability.
2. **Structural Model (Inner Model):** Relationships among latent variables were evaluated using path coefficients, R^2 values, and bootstrapping-derived t-statistics. Significance was determined using a 5% margin of error, with a critical t-value $>1,98$.

RESULTS AND DISCUSSION

A. Respondent Profile

Table 2. Summary of Respondent Demographics

Category	Sub-category	Frequency	Percentage
Gender	Male	34	26%
	Female	96	74%
Education Level	No Formal Education	-	0%
	Elementary School	-	0%
	Junior High School	4	3%
	Senior High School	57	44%
	Higher than High School	69	53%
Length Of Business	Less than 1 Year	2	2%
	1 – 3 Years	45	35%
	4 – 5 Years	22	17%
	More than 5 Years	61	46%
Business Type	Food	77	59%
	Clothing	32	25%
	Handicrafts	12	9%
	Personal Care	7	5%
	Home Equipment	2	2%

Source: Primary data processed (2025)

The study involved 130 Micro and Small Enterprises respondents from West Jakarta, with a respondent distribution dominated by women (74%) and men representing 26%. In terms of education, 53% of respondents had completed education beyond high school, while 44% had attained high school or vocational qualifications. Most businesses had been operating for over five years (61%), and the majority (59%) were in the food industry, followed by clothing (25%) and handicrafts (9%).

B. Descriptive Statistics

Table 3. Results of Descriptive Statistical Analysis

	Education Level	Business Scale	Adoption of IT	Financial Reporting Quality	Business Sustainability
N	130	130	130	130	130
Missing	-	-	-	-	-
Mean	20,6	5,58	19,8	45,0	23,3
Median	21,0	5,00	20,0	44,0	23,5
Standard Deviation	2,5	1,6	2,3	5,4	3,4
Minimum	15	4	15	33	12
Maximum	25	10	25	55	30

Source: Primary data processed (2025)

Table 3 displays the descriptive statistics for each variable. All variables showed relatively low standard deviations compared to their means, indicating

consistency across responses and confirming the representativeness of the sample data for further analysis.

C. Analysis Structural Equation Model-PLS

1. Convergent Validity Test Results

Assessing the convergent validity within a reflective measurement model involves examining the strength of association between each indicator and its corresponding latent construct. An indicator is typically regarded as valid when its correlation exceeds 0,70. Nonetheless, according to Ghozali and Latan (2015), during the exploratory stages of model development, factor loadings in the range of 0,50 to 0,60 may still be deemed acceptable. Based on the findings illustrated in Figure 1, three indicators, X1.1 (LF = 0,131), X2.2 (LF = 0,334), and X3.2 (LF = -0,142), were identified as having loading values below the minimum acceptable threshold of 0,5. Consequently, these items were omitted from the model. A revised estimation was then conducted using the adjusted measurement structure, with the updated results displayed in Figure 2.

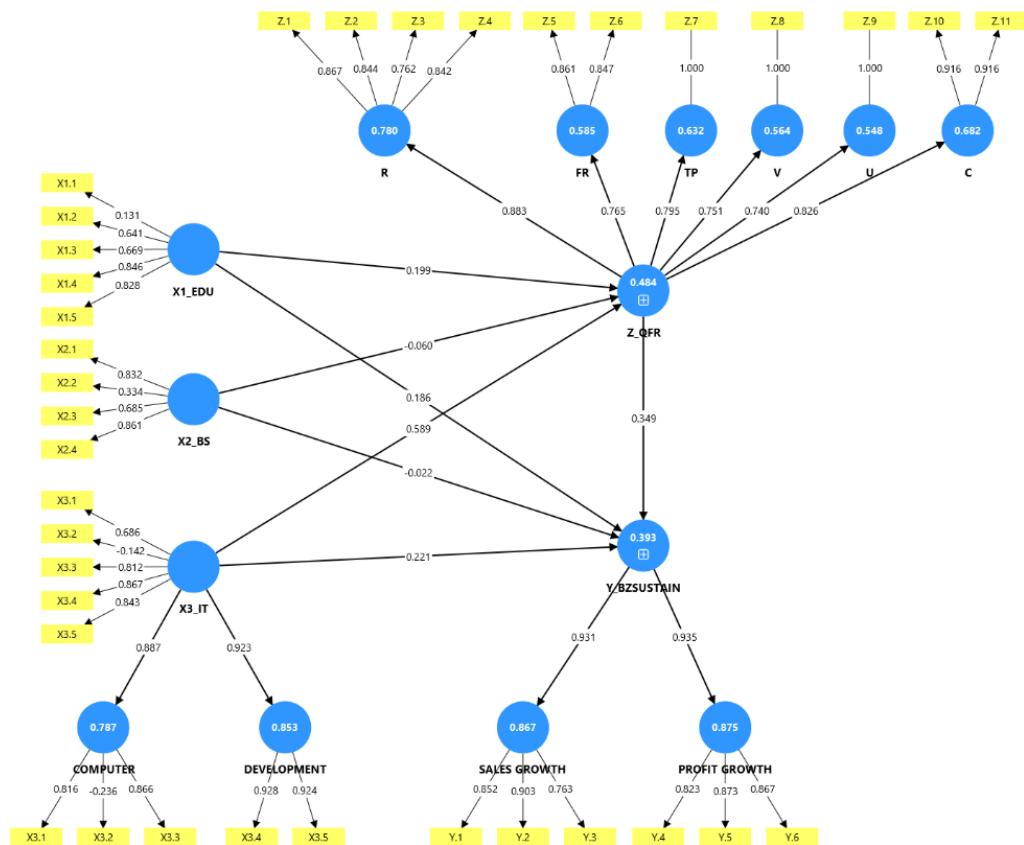


Figure 1. Convergent Validity Test

Source: Processed primary data - SmartPLS output results (2025)

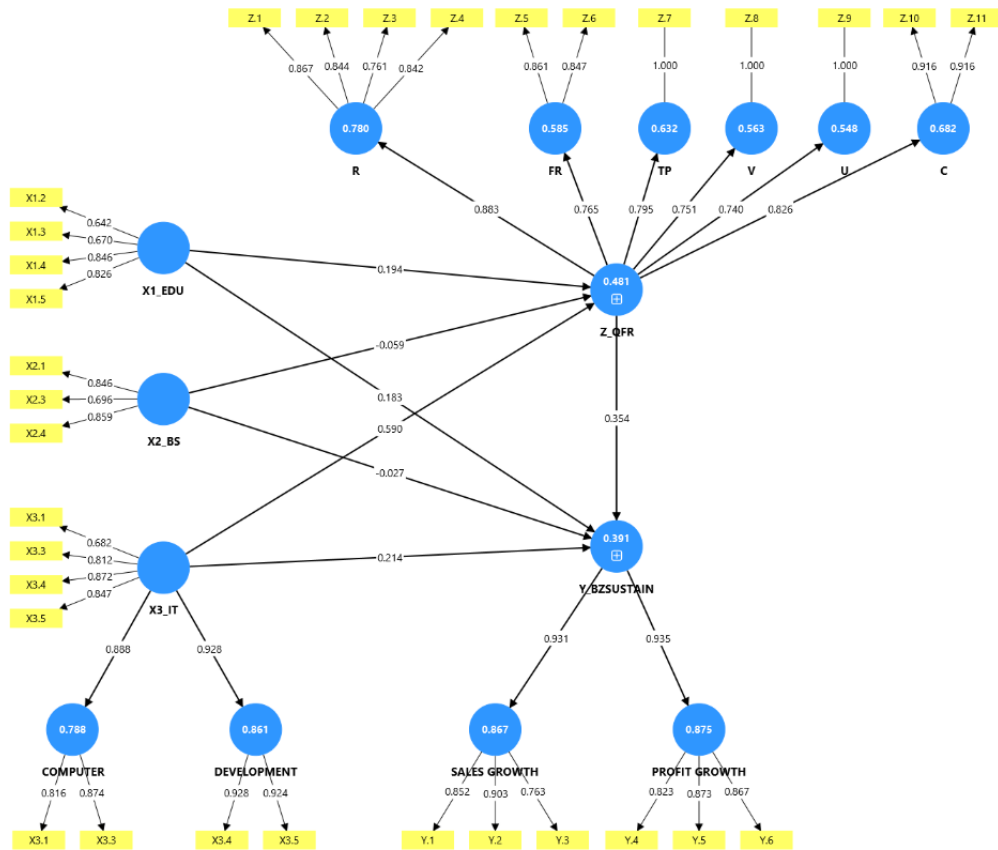


Figure 2. Pre-elimination Convergent Validity Test
 Source: Processed primary data - SmartPLS output results (2025)

As shown in Figure 2, all indicators have outer loading values exceeding 0,5. This meets the initial requirements for convergent validity, meaning all indicators are considered valid based on this measurement. As a result, these indicators are suitable for measuring the research variables, education level, business scale, utilization of information technology, financial report quality, and business sustainability, using the second-order method. In addition to indicator loadings, convergent validity was further examined using Average Variance Extracted (AVE). Table 4 confirms that the AVE value for each construct is above the threshold of 0,50. Therefore, based on both criteria, the tested model does not show any problems regarding convergent validity.

Table 4. Descriptive Statistical Test Results

Variable	Average Variance Extracted (AVE)
Education Level	0,565
Business Scale	0,646
Utilization of Information Technology	0,650
Financial Reporting Quality	0,535
Business Sustainability	0,626

Source: Primary data processed (2025)

2. Reliability Test Results

Following the validity assessment, the reliability of the constructs was evaluated using Cronbach's Alpha and Composite Reliability. According to Hair et al. (2022), an instrument is considered reliable if its Cronbach's Alpha value exceeds 0,70. Similarly, Composite Reliability values must also surpass the 0,70 threshold to confirm the internal consistency of the constructs. The results of the reliability test in this study are presented below.

Table 5. Reliability Test

Variable	Cronbach's Alpha	Composite Reliability
Education Level	0,743	0,837
Business Scale	0,726	0,844
Utilization of Information Technology	0,818	0,881
Financial Reporting Quality	0,913	0,926
Business Sustainability	0,880	0,909

Source: Primary data processed (2025)

The results in Table 5 show that for each variable in the research model, the Composite Reliability and Cronbach's alpha values are greater than 0,7. This confirms that all items have passed the reliability test and can be declared reliable, indicating good internal consistency and validating their use in compiling variables.

3. Summary of Goodness of Fit Model Results

Following confirmation of the measurement model's validity and reliability, the analysis proceeded to the structural model evaluation, which focuses on examining the interrelationships among latent variables and the model's explanatory capability overall. As shown in Table 6, approximately 46,8% of the variance in the quality of financial reporting is accounted for by education level, business scale, and information technology utilization. The remaining 53,2% is influenced by factors beyond the scope of this model. Furthermore, the combination of education level, business scale, IT utilization, and financial reporting quality collectively explains 37,2% of the variation in business sustainability, with 62,8% attributed to other unmeasured variables.

Table 6. R-Square Value

Variable	R²	R² Adjusted
Quality of Financial Reporting	0,481	0,468
Business Sustainability	0,391	0,372

Source: Primary data processed (2025)

4. Path Coefficient Test Results

Once all indicators in the research model satisfied the requirements for validity and reliability, and the structural (inner) model had been adequately assessed, the next analytical step involved hypothesis testing. This was carried out by examining path coefficients, t-statistics derived through the bootstrapping method, and their corresponding p-values. According to Hair et al. (2017),

bootstrapping is an effective approach for evaluating hypothesis support, particularly within Structural Equation Modeling (SEM). At a 5% significance level ($\alpha = 0,05$), hypotheses are accepted when the t-value exceeds 1,98 and the p-value is less than 0,05. If these thresholds are not met, the hypothesis is rejected. The testing results revealed that five of the path coefficients had significant and positive effects, as indicated by t-values greater than 1,98 and p-values below 0,05. The remaining two coefficients did not exhibit statistical significance. These outcomes are visualized in Figure 3 and summarized in Table 7.

Table 7. Hypothesis Testing Results

	Hypothesis	Original Sample	T-Stat	P-Value	Result
H1	Education level → Financial Report Quality	0,194	2,898	0,002	Accepted
H2	Business Scale → Financial Report Quality	-0,059	0,784	0,217	Rejected
H3	IT Utilization → Financial Report Quality	0,590	9,678	0,000	Accepted
H4	Education level → Business Sustainability	0,183	2,110	0,017	Accepted
H5	Business Scale → Business Sustainability	-0,027	0,294	0,384	Rejected
H6	IT Utilization → Business Sustainability	0,214	2,034	0,021	Accepted
H7	Financial Report Quality → Business Sustainability	0,354	3,078	0,001	Accepted

Source: Primary data processed (2025)

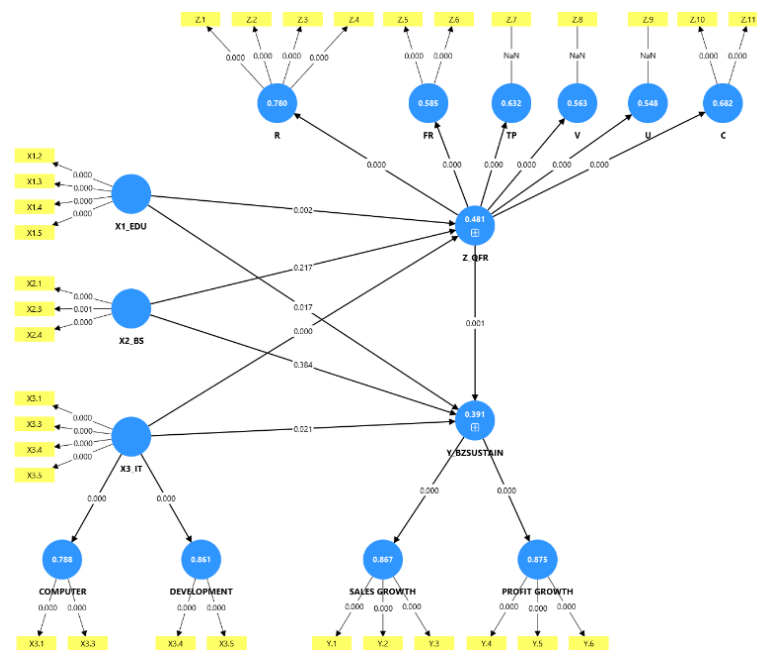


Figure 3. Final Structural Model (Bootstrapping)

Source: Processed primary data - SmartPLS output results (2025)

The structural relationships among the latent variables, as depicted in Table 7 and Figure 3, offer robust empirical support for the hypothesized model. The analysis demonstrates that the educational attainment of micro and small enterprise owners significantly enhances the quality of financial reporting (Estimate = 0,194, $t = 2,898$, $p = 0,002$). This suggests that higher levels of education equip entrepreneurs with the necessary knowledge and skills to comprehend financial principles and apply relevant accounting standards effectively, thereby improving the accuracy and reliability of financial disclosures. Conversely, business scale does not exhibit a statistically significant impact on financial reporting quality (Estimate = -0,059, $t = 0,784$, $p = 0,217$). This indicates that the size of the enterprise is not a key determinant of reporting quality. It highlights the possibility that other factors, such as managerial capability, access to accounting tools, or financial literacy, may play a more prominent role in influencing reporting outcomes. The adoption of information technology also demonstrates a strong and statistically significant positive relationship with the quality of financial reporting (Estimate = 0,590, $t = 9,678$, $p = 0,000$). This finding emphasizes the critical role of digital systems and tools in enhancing the timeliness, accuracy, and transparency of financial information.

Regarding business sustainability, the results indicate that the education level of Micro and Small Enterprises owners also has a significant positive effect (Estimate = 0,183, $t = 2,110$, $p = 0,017$). This implies that education contributes to better strategic insight, enabling business actors to respond more effectively to environmental changes and ensuring continuity over time. Similarly, business scale does not significantly influence sustainability outcomes (Estimate = -0,027, $t = 0,294$, $p = 0,384$). This reinforces the notion that firm size alone is not sufficient to guarantee long-term viability, and that qualitative attributes such as leadership, innovation, and adaptability may be more critical determinants. The utilization of information technology significantly contributes to business sustainability (Estimate = 0,214, $t = 2,034$, $p = 0,021$). The integration of digital technologies enables firms to improve operational efficiency, enhance customer engagement, and respond swiftly to market dynamics, all of which are essential for sustaining competitiveness. Finally, the quality of financial reporting itself exerts a significant positive influence on business sustainability (Estimate = 0,354, $t = 3,078$, $p = 0,001$). Reliable financial reports facilitate better decision-making, increase organizational accountability, and reinforce stakeholder confidence, thereby supporting the long-term success of the enterprise.

The study also formulates two structural equation models derived from the analysis:

- Model 1 (Financial Reporting Quality Predictor) :
 $FRQ = 0,194(EDU) - 0,059(BS) + 0,590(IT)$
- Model 2 (Business Sustainability Predictor) :
 $BZ_SUS = 0,183(EDU) - 0,027(BS) + 0,214(IT) + 0,354(FRQ)$

D. DISCUSSION

1. Education Level and Financial Reporting Quality

The results of the Partial Least Squares (PLS) analysis demonstrate that education level significantly and positively affects the quality of financial reporting, so that Hypothesis 1 (H1) is accepted. This finding implies that micro and small enterprise owners with higher educational backgrounds are more likely to produce well-structured and compliant financial reports. Greater educational attainment equips business owners with a stronger grasp of accounting principles and financial standards, particularly SAK EMKM, which in turn enhances the quality of their reporting practices (Arisandi et al., 2022). Consistent with Nurohmah (2023), higher educational backgrounds correlate with improved ability to comprehend and apply accounting standards, resulting in more consistent and standardized reports. The demographic profile of respondents, primarily consisting of individuals with at least a high school or vocational education, further supports this. Survey responses indicate that formal education contributes not only to conceptual knowledge but also to practical skills such as budgeting, bookkeeping, and cost control. These findings resonate with the principles of Stewardship Theory, which portrays managers as trustworthy agents acting in the best interests of the organization. Micro and Small Enterprises actors with higher education levels demonstrate a stronger sense of accountability and competence in financial management, resulting in more accurate and transparent reporting. Likewise, from the perspective of the Resource-Based View (RBV), education represents a strategic intangible resource that enhances the firm's internal capabilities. Educated Micro and Small Enterprises actors possess critical human capital that strengthens their competitive position through improved financial report generation. The synergy between Stewardship Theory and RBV is evident in this study, as education fosters both the motivation and capability to produce high-quality financial reports. These results are consistent with prior empirical research by Sukriani et al. (2018), Arisandi et al. (2022), and Nurohmah (2023), all of which underline the pivotal role of education in shaping financial reporting quality.

2. Business Scale and Financial Reporting Quality

Analysis using the PLS method indicates that business scale does not have a statistically significant influence on the quality of financial reporting, thereby rejecting Hypothesis 2 (H2). This outcome can be attributed to the sample composition, which is dominated by micro enterprises, thus limiting variability across business scales. Consequently, differences in financial report quality due to scale may be too minimal to detect. However, the lack of a significant relationship between business scale and reporting quality should not be interpreted as evidence that micro and small enterprises are incapable of producing high-quality financial statements. On the contrary, other contributing factors such as access to training, improvements in digital competence, and the utilization of accounting software may play a more critical role in enhancing financial reporting practices than firm size alone. These findings are consistent with the perspective of Stewardship Theory, which posits that sound financial management is primarily driven by ethical responsibility and managerial integrity, rather than the scale of the

organization. Thus, Micro and Small Enterprises are capable of achieving robust reporting standards when their leaders demonstrate a commitment to transparency and accountability. Moreover, the results suggest that business scale is not a direct determinant of financial reporting quality. Instead, variables such as educational attainment and the integration of information technology may exert a more pronounced influence on the reporting capabilities of Micro and Small Enterprises. These insights corroborate the findings of Aroginanto et al. (2023), who also concluded that business scale does not influence the quality of financial reporting.

3. Information Technology Utilization and Financial Reporting Quality

The structural model results confirm that the utilization of information technology has a significant positive effect on financial reporting quality, thereby validating Hypothesis 3 (H3). This implies that increased adoption of IT tools among Micro and Small Enterprises contributes to more accurate, efficient, and timely financial reporting. This finding supports prior studies by Suryanti et al. (2022) and Rahayuningsih & Utami (2022), which underscore the role of IT in expediting report preparation and improving overall reporting effectiveness. Empirical evidence from the field reveals that while many West Jakarta Micro and Small Enterprises have implemented accounting software, manual bookkeeping remains partially in use. Respondents acknowledged that IT enhances the precision and efficiency of their financial records, indicating a growing integration of digital tools into financial management practices. From the lens of Stewardship Theory, the responsible use of IT reflects managerial accountability and commitment to sound financial governance. IT adoption enhances decision quality, mitigates reporting errors, and ensures compliance, hallmarks of effective stewardship. Moreover, according to the Resource-Based View (RBV), IT constitutes a strategic intangible asset that fosters operational efficiency, strengthens internal control, and improves data integrity, ultimately elevating report quality. These findings are consistent with prior empirical research (Hanifah et al., 2020; Suryanti et al., 2022; Rahayuningsih & Utami, 2022; Yaya & Pawestri, 2021; Sukriani et al., 2018), which confirms the positive and significant impact of IT utilization on the quality of financial statements in the Micro and Small Enterprises context.

4. Education Level and Business Sustainability

Based on the results of the PLS analysis, it can be statistically concluded that the level of education has a significant and positive influence on business sustainability, thereby supporting the acceptance of Hypothesis 4 (H4). This implies that higher educational attainment among Micro and Small Enterprises actors is associated with greater sustainability of their businesses. Akinboade (2015) emphasized the critical role of human capital quality in driving the growth of Small and Medium Enterprises (SMEs). The study found that SMEs managed by well-educated owners and supported by skilled employees are more likely to experience substantial revenue growth. Demographic data from the respondents indicate that most Micro and Small Enterprises actors in West Jakarta hold at least a senior high school diploma (SMA/SMK) or higher. This level of education reflects a sufficient intellectual capacity to manage business operations effectively. Furthermore, the

majority of respondents acknowledged that formal education plays an essential role in business success and enhances managerial competencies. These findings are consistent with the Resource-Based View (RBV) theory, which posits that an organization's competitive advantage is derived from its unique and valuable resources, both tangible and intangible. Education represents a critical component of human capital. Micro and Small enterprise owners or managers with higher educational backgrounds tend to possess broader knowledge, enhanced analytical abilities, and more extensive networks. Such capabilities enable them to recognize emerging market opportunities, adopt new technologies, and manage business processes more efficiently. From the RBV perspective, adequate education equips Micro and Small Enterprises with sustainable competitive advantages, which ultimately contribute to the longevity and resilience of their operations. The results of this study align with prior research (Shibia & Barako, 2017; Akinboade, 2015; Wawo et al., 2023; Slamet & Bintoro, 2019), all of which concluded that education level has a significant positive impact on business sustainability.

5. Business Scale and Business Sustainability

Based on the PLS data analysis, it can be concluded that business scale does not have a significant influence on business sustainability, leading to the rejection of Hypothesis 5 (H5). This suggests that the size of an enterprise, whether micro, small, or medium, does not inherently determine its long-term viability. Indarto and Santoso (2020) emphasize that entrepreneurial success is more strongly shaped by the personal attributes of the entrepreneur, such as educational background, competencies, entrepreneurial orientation, and readiness to pursue entrepreneurship. Regardless of the scale of operations, if the entrepreneur lacks strong entrepreneurial characteristics, the likelihood of business success diminishes significantly. These findings align with Entrepreneurial Orientation theory as proposed by Miller (1983), which posits that business performance is predominantly driven by factors such as innovativeness, proactiveness, and risk-taking behavior. Hence, the sustainability of a business is more dependent on the entrepreneur's strategic mindset and personal qualities than on the firm's size or capacity. Furthermore, the present findings are consistent with prior studies by Indarto and Santoso (2020) and Riansyah and Andayani (2022), both of which also found no significant relationship between business scale and sustainability. This reinforces the argument that individual entrepreneurial characteristics serve as the primary determinant of long-term business success.

6. Information Technology Utilization and Business Sustainability

The results of the Partial Least Squares (PLS) analysis provide strong statistical evidence that the utilization of information technology exerts a positive and significant influence on business sustainability, thereby supporting the acceptance of Hypothesis 6 (H6). This implies that increased adoption of digital technologies correlates with enhanced sustainability among Micro and Small Enterprises. Field observations indicate that most Micro and Small Enterprises in West Jakarta have adopted accounting applications in managing their financial

operations. Although many enterprises have started using digital tools, manual record-keeping is still common and has not been completely replaced by automated systems. Respondents generally acknowledged that the use of computer-based tools significantly improves the accuracy and efficiency of financial reporting, highlighting the important role of technology in improving financial management processes. These findings suggest that the integration of information technology not only strengthens reporting quality but also acts as a strategic support for business resilience. By enabling timely and informed decision-making, digital systems increase operational flexibility and adaptability, thus supporting the long-term sustainability of businesses in an increasingly dynamic and technology-driven environment. These findings are consistent with prior studies. Ganlin et al. (2021) emphasized the crucial role of IT adaptation and innovative financial applications in supporting the continuity of MSMEs operations during the COVID-19 pandemic. Digital integration enabled flexible, cost-effective operations and helped firms overcome constraints such as limited physical access and restricted market reach, ultimately enhancing their long-term viability. Similarly, Kurniawan et al. (2023) highlighted that MSMEs readiness to adopt open innovation, build global partnerships, and utilize external collaborations is positively associated with their ability to remain competitive and responsive to market shifts. Leveraging digital resources and innovation capacity across production, marketing, and finance functions has proven to be an effective recovery strategy in times of crisis. From the perspective of Resource-Based View (RBV) theory, information technology should be regarded not merely as a supporting tool but as a strategic asset. When optimally deployed, IT constitutes a VRIN (Valuable, Rare, Inimitable, and Non-substitutable) resource, contributing to sustainable competitive advantage and long-term business continuity. In summary, this study affirms the conclusions of previous research (Ganlin et al., 2021; Kurniawan et al., 2023; Trihastuti & Rachmawati, 2021), confirming that the effective use of information technology significantly promotes the sustainability of Micro and Small Enterprises.

7. Financial Reporting Quality and Business Sustainability

The results of the PLS analysis show that the quality of financial reports has a positive and significant effect on business sustainability, which supports the acceptance of Hypothesis 7 (H7). This means that the better the financial reports, the more sustainable Micro and Small Enterprises can be. When financial reports are complete and well-prepared, they help Micro and Small Enterprises to manage their business better and ensure long-term success. According to the Indonesian Accounting Standards for Micro, Small, and Medium Enterprises (SAK EMKM), financial reports consist of three main parts. First, the Statement of Financial Position, which shows the business's assets, debts, and capital at a certain time. Second, the Income Statement, which shows the income and expenses over a certain period, usually one year. Third, the Notes to the Financial Statements, which explain the methods and rules used to prepare the first two reports, help readers understand the information more clearly. Yadiati and Mubarok (2017) explain that good financial reports follow standard accounting rules. They also say that quality reporting means giving useful financial information that meets users' needs and protects the business owner. This is based on a clear, complete, and fair presentation of financial data. The Indonesian Institute of Accountants (IAI) also states that a

financial report is good if it is easy to understand, useful for decision-making, honest, and reliable. It should not contain serious errors and should allow comparisons with reports from previous periods. Based on the survey, most business owners agree that financial reports are useful for keeping their business running well and for reviewing business performance. They also believe that reports should be made on time and should include all necessary information, which fits the idea of relevance in SAK EMKM. Many also say that the reports should be made mainly for the needs of the business itself, not just for outside parties. This shows the importance of being honest and showing facts as they are, without bias. Most owners also said their reports are available when needed and are written in simple, clear language, which shows that the reports are easy to understand and are made on time. From these findings, it can be said that most Micro and Small Enterprise owners in West Jakarta are already making good quality financial reports that follow the important standards. Many of the respondents have also joined financial reporting training provided by the local government (PPKUKM) and used the SIAPIK system recommended by Bank Indonesia. This support has helped them improve their skills in preparing financial reports. Good financial reports are a valuable tool that helps Micro and Small Enterprises use their resources like workers, materials, and money, more efficiently, which can improve business performance and help them stay competitive. According to Stewardship Theory, business owners and managers have a responsibility to manage the business in the best interest of its owners. Clear and honest financial reports help ensure good management and support the long-term success of the business. This result is in line with earlier studies by Lisnurasiyah and Utami (2022), Cahyani et al. (2023), Ye and Kulathunga (2019), and Lubis and Lufriansyah (2024), who also found that good financial reporting has a strong positive effect on business sustainability.

CONCLUSION

Based on the analysis and discussion, this study concludes that several factors significantly influence the quality of financial reporting and the business sustainability of Micro and Small Enterprises in West Jakarta. Both the education level of business owners and the utilization of information technology have a positive and significant impact on financial reporting quality and business sustainability. These findings suggest that higher educational attainment and effective use of digital tools contribute meaningfully to improved financial reporting quality and long-term business sustainability. In contrast, business scale shows no significant effect, indicating that differences in enterprise size do not directly influence the quality of financial reports or the sustainability of Micro and Small Enterprises. Moreover, the quality of financial reporting itself significantly contributes to business sustainability, highlighting the critical role of accurate and reliable financial information in supporting the long-term success of these enterprises.

Micro and Small Enterprises actors are encouraged to enhance their competencies in financial reporting by adopting the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) and by optimizing the use of accounting technologies to increase reporting efficiency and accuracy. Participation in training and mentoring programs provided by government agencies

or relevant institutions is also recommended to strengthen managerial skills and competitiveness. Furthermore, the West Jakarta Office for Industry, Trade, Cooperatives, Small and Medium Enterprises (PPKUKM) is advised to expand and improve the intensity and scope of training programs and mentoring for MSMEs in the aspect of financial recording and reporting. Training programs should be held continuously by adjusting to technological developments and business needs. In addition, the use of information technology in financial management needs to be encouraged through socialization and facilitation of access to accounting software that is suitable for MSMEs.

This study has several limitations that merit consideration. First, the research was conducted exclusively in West Jakarta and involved only Micro and Small Enterprises that had already prepared financial statements. Although West Jakarta is known to have the highest concentration of Micro and Small Enterprises in the DKI Jakarta area, the findings may not be fully generalizable to the broader population of Micro and Small Enterprises across other regions. Second, the study focused solely on micro and small enterprises, which, while representing the majority of business entities in Indonesia, may not accurately reflect the characteristics and dynamics of the entire Micro and Small Enterprises sector at the national level. Despite these limitations, the results of this study offer valuable initial insights and may serve as a useful reference for future research with broader geographic coverage and more diverse business profiles.

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