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Accounting capabilities and financial reporting quality in emerging-economy MSMEs

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ABSTRACT

This study examines how digital accounting capability, management accounting practices, and sustainability accounting practices influence financial reporting quality among micro, small, and medium-sized enterprises (MSMEs) in Kendari City, Indonesia, with accounting information system quality positioned as a mediating mechanism. Drawing on a capability-based and decision-usefulness perspective, this study argues that MSME financial reporting quality depends not only on digital accounting adoption but also on managerial accounting routines and sustainability-oriented documentation. Survey data were collected from 322 MSME actors and analyzed using partial least squares structural equation modeling (PLS-SEM). The findings show that digital accounting capability and sustainability accounting practices significantly enhance accounting information system quality. However, accounting information system quality does not significantly improve financial reporting quality and does not mediate the relationships between accounting capabilities and financial reporting quality. Instead, management accounting practices and sustainability accounting practices emerge as the strongest direct determinants of financial reporting quality. These results indicate a capability-reporting gap, where digital and system-based accounting capabilities improve accounting information systems but do not automatically translate into high-quality financial reports. The theoretical contribution of this study lies in integrating digital, managerial, and sustainability accounting capabilities into a single explanatory model and demonstrating that sustainability accounting practices are a central antecedent of financial reporting quality in regional MSMEs. Practically, the findings suggest that MSME development programs should combine digital accounting training with management accounting literacy, sustainability documentation, and formal financial reporting routines.

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1. INTRODUCTION

Micro, small, and medium-sized enterprises (MSMEs) play a central role in emerging economies, yet many continue to face persistent challenges in producing reliable, timely, and decision-useful financial reports. Financial reporting quality is critical because it supports internal decision-making, access to financing, transparency, and business sustainability. However, MSMEs often operate with limited accounting expertise, informal recording routines, and weak reporting discipline, making financial reporting quality a broader managerial and capability-based problem rather than a

compliance issue alone (Al-Hattami, 2024; M. Al-Okaily, 2024; Monteiro et al., 2024; Vo Van et al., 2026).

This problem reflects limitations in accounting capability, managerial routines, digital readiness, and reporting formalization. Financial reports become useful when firms can transform daily transactions into structured information, evaluate costs and performance, and document activities consistently. Studies show that accounting information systems, digital technologies, and management accounting practices can improve decision-making and organizational outcomes, but their effects depend on how accounting information is embedded in practice (M. Al-Okaily, 2024; Knauer et al., 2020; Lutfi, 2023).

Kendari City provides a relevant setting because MSMEs operate in a transitional accounting environment. In this study, MSMEs used diverse accounting record systems, including manual records, spreadsheets, mobile/POS applications, and cloud-based accounting software. This variation suggests that MSMEs are not at a uniform stage of digital maturity. Some have adopted digital tools, while others still rely on informal or semi-formal accounting routines, making the context suitable for examining how accounting capabilities explain financial reporting quality.

Digital accounting capability has increasingly been viewed as a strategic capability that enables MSMEs to record transactions, store financial data, access information in real time, and improve accounting information system quality. Prior studies show that cloud accounting, ERP adoption, accounting analytics, and digital transformation can enhance accounting information quality, accessibility, and usefulness (Abu Afifa et al., 2025; M. Al-Okaily, 2024; Hung et al., 2023; Johri, 2025; Li et al., 2025). Nevertheless, digital capability creates value only when digital records are transformed into meaningful accounting information and ultimately into high-quality financial reports (Asraf, Budihard, et al., 2024).

Management accounting practices provide the managerial foundation through which MSME owners use cost information, budgeting, pricing decisions, and performance evaluation to improve accounting usefulness. While financial reporting is often associated with accountability, reporting quality in MSMEs is strongly influenced by internal routines, particularly the ability to calculate costs, control expenditure, evaluate profit, and make pricing decisions based on accounting information. These practices bridge everyday decisions and the production of higher-quality financial information (Adwi, Mulyadi, et al., 2024; Asraf et al., 2020; Dasanayaka et al., 2021; Pedroso & Gomes, 2024; Yla-Kujala et al., 2023).

Sustainability accounting practices further extend accounting by encouraging MSMEs to document environmental, social, and resource-related activities. Although sustainability accounting is often discussed in large firms, recent SME studies show that environmental management accounting, green financing, stakeholder pressure, and non-financial reporting are increasingly relevant for smaller firms (Abu Afifa et al., 2025; Appiah-Kubi, 2024; Gerged et al., 2024; O'Reilly et al., 2024). For MSMEs, sustainability accounting may begin with simple documentation of resource efficiency, waste management, environmental costs, and responsible business practices.

The state-of-the-art literature has advanced understanding of digital accounting, AIS quality, management accounting, and sustainability reporting in SMEs, but these streams remain fragmented. The empirical gap in this study lies in the limited evidence explaining how different accounting capabilities jointly influence financial reporting quality among MSMEs, particularly in regional emerging-economy contexts. Previous studies have examined digital accounting systems, accounting information system quality, management accounting practices, or sustainability accounting practices separately, but few have integrated these capabilities into a single empirical model to explain financial reporting quality. Therefore, this study addresses this gap by testing an integrated SEM-PLS model that links digital accounting capability, management accounting practices, sustainability accounting practices, accounting information system quality, and financial reporting quality among 322 MSME actors in Kendari City. Digital accounting studies emphasize system usage, information quality, and performance outcomes; management accounting studies focus on adoption and utilization; and sustainability accounting studies examine environmental management accounting, disclosure, ESG activities, and non-financial performance (Al-Hattami, 2024; Gerged et al., 2024; Hossain et al., 2025; Setyaningsih et al., 2024; Thuy, 2025). Yet little is

known about how digital, managerial, and sustainability accounting capabilities jointly shape financial reporting quality in regional MSMEs.

This study addresses three gaps. First, prior research rarely integrates digital accounting capability, management accounting practices, sustainability accounting practices, accounting information system quality, and financial reporting quality in one model. Second, the mediating role of accounting information system quality remains unclear, particularly where systems are used for transaction recording but not formal reporting. Third, evidence from regional MSMEs in emerging economies remains limited. Accordingly, this study develops and tests an integrated SEM-PLS model among 322 MSME actors in Kendari City, contributing a capability-based and practice-oriented explanation of MSME financial reporting quality.

The conceptual foundation of this study is grounded in a capability-based and decision-usefulness perspective of accounting. From a capability-based view, financial reporting quality reflects the ability of MSMEs to mobilize accounting-related resources, routines, and knowledge to produce useful information. Digital accounting capability, management accounting practices, and sustainability accounting practices represent complementary capabilities that strengthen how firms collect, process, interpret, and communicate accounting information (Al-Hattami, 2024; N. S. Al-Okaily et al., 2024; Hung et al., 2023; Monteiro et al., 2024). H1. Digital accounting capability has a positive effect on accounting information system quality.

Management accounting practices refer to costing, budgeting, cost control, pricing decisions, performance evaluation, and decision-support information. These practices create demand for accurate, timely, and relevant accounting information. Theoretically, AIS becomes more useful when it supports planning, control, and evaluation. Prior studies show that management accounting system utilization in SMEs depends on managerial support, decision orientation, and the integration of accounting information into business processes (Pedroso & Gomes, 2024; Yla-Kujala et al., 2023). H2. Management accounting practices have a positive effect on accounting information system quality.

Sustainability accounting practices involve documenting environmental costs, resource efficiency, waste management, social responsibility, and responsible business activities. These practices expand the scope of information that MSMEs collect and classify. Studies show that environmental management accounting, sustainability reporting knowledge, stakeholder pressure, and green financing encourage SMEs to improve sustainability-related information organization and communication (Appiah-Kubi, 2024; Gerged et al., 2024; O'Reilly et al., 2024). H3. Sustainability accounting practices have a positive effect on accounting information system quality.

Accounting information system quality refers to the ability of a system to produce accurate, complete, timely, secure, reliable, and useful information. High-quality AIS should improve financial reporting quality because financial reports are generated from data captured and processed by the system. Studies indicate that AIS quality is associated with financial information quality, decision-making success, and performance (Al-Hattami, 2024; Monteiro et al., 2024; Thuy, 2025). H4. Accounting information system quality has a positive effect on financial reporting quality.

Digital accounting capability may directly improve financial reporting quality by reducing manual errors, improving traceability, and accelerating report preparation. Prior studies support the relevance of digital accounting, management accounting, environmental management accounting, ESG activities, and sustainability reporting for information quality and reporting outcomes (Dasanayaka et al., 2021; Hanif & Sudarmono, 2022; Johri, 2025; Ortiz-Martinez et al., 2023; Setyaningsih et al., 2024). Accordingly, the following hypotheses are proposed: H5. Digital accounting capability has a positive effect on financial reporting quality. H6. Management accounting practices have a positive effect on financial reporting quality. H7. Sustainability accounting practices have a positive effect on financial reporting quality.

Accounting information system quality is proposed as a mediating mechanism because digital, managerial, and sustainability accounting capabilities may improve reporting quality through better data processing and information organization. The capability-based perspective suggests that capabilities influence outcomes through internal processes that transform resources into useful outputs. Prior research indicates that AIS quality and information quality can link accounting practices with decision-making and organizational outcomes (Al-Hattami, 2024; Lutfi, 2023;

Monteiro et al., 2024; Thuy, 2025). H8. Accounting information system quality mediates the relationship between digital accounting capability and financial reporting quality. H9. Accounting information system quality mediates the relationship between management accounting practices and financial reporting quality. H10. Accounting information system quality mediates the relationship between sustainability accounting practices and financial reporting quality.

2. RESEARCH METHODS

Research Design

This study employed a quantitative explanatory design to examine relationships among digital accounting capability, management accounting practices, sustainability accounting practices, accounting information system quality, and financial reporting quality among MSMEs in Kendari City, Indonesia. A survey approach was appropriate because the study aimed to capture MSME actors' perceptions and practices regarding accounting digitalization, managerial accounting routines, sustainability-oriented documentation, AIS quality, and reporting quality. PLS-SEM was selected because the model involved multiple latent variables, direct effects, and indirect effects, and because the objective was to explain variance in endogenous constructs (Benitez et al., 2020; Hair et al., 2019).

Population, Sample, and Data Collection

The population consisted of MSME actors operating in Kendari City. The unit of analysis was the MSME, while the unit of response was the person most knowledgeable about accounting practices, financial records, and reporting activities. Respondents included owners, managers, finance or administrative staff, and family members involved in business management. Purposive sampling was applied because the study required respondents who were actively involved in MSME operations and familiar with accounting or financial administration. The final dataset consisted of 322 valid responses.

Measurement and Instrument

All constructs were measured using multi-item scales adapted from prior studies and adjusted to the MSME context. Items were formulated in accessible language to reflect digital recording, costing, budgeting, resource efficiency, system usefulness, and financial reporting quality. Each item was measured on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). To address measurement clarity, this study explicitly specifies the indicators used to measure each construct, as presented in Table 1.

Table 1. Construct measurement and source adaptation

Construct	Items	Indicators used in the questionnaire	Main sources
Digital Accounting Capability	7	Digital recording, data storage, report generation, real-time access, integration, digital ability	Al-Okaily et al. (2023); Hung et al. (2023); Abu Afifa et al. (2025); Li et al. (2025)
Management Accounting Practices	7	Costing, budgeting, cost control, performance evaluation, decision support, pricing	Dasanayaka et al. (2021); Pedroso & Gomes (2024); Yla-Kujala et al. (2023)
Sustainability Accounting Practices	7	Environmental cost recording, resource efficiency, waste management, social information, sustainability documentation	Appiah-Kubi (2024); Appiah-Kubi et al. (2024); Gerged et al. (2024); O'Reilly et al. (2024)
Accounting Information System Quality	7	Ease of use, accuracy, completeness, timeliness, reliability, security, usefulness	Al-Hattami (2024); Knauer et al. (2020); Lutfi (2023); Monteiro et al. (2024); Thuy (2025)
Financial Reporting Quality	8	Relevance, faithful representation, understandability, timeliness, comparability, verifiability, completeness	Monteiro et al. (2024); Thuy (2025)

Digital accounting capability was measured using seven indicators that capture the extent to which MSMEs use digital tools to record transactions, store financial data, generate reports, access information in real time, integrate business data, and operate digital accounting applications. These indicators reflect the ability of MSMEs to transform transaction data into structured accounting information.

Management accounting practices were measured through seven indicators representing costing, budgeting, cost control, performance evaluation, decision support, pricing decisions, and strategic use of accounting information. These indicators capture the extent to which MSME owners use accounting information for planning, control, evaluation, and business decision-making.

Sustainability accounting practices were measured using seven indicators related to environmental cost recording, resource efficiency, waste management, social responsibility information, sustainability-oriented decision-making, documentation of sustainability activities, and communication of responsible business practices. These indicators reflect how MSMEs document environmental, social, and resource-related activities as part of their accounting practices.

Accounting information system quality was measured through seven indicators: ease of use, accuracy, completeness, timeliness, reliability, security, and usefulness. These indicators assess whether the accounting system used by MSMEs can produce reliable, timely, secure, and decision-useful accounting information. Financial reporting quality was measured using eight indicators: relevance, faithful representation, understandability, timeliness, comparability, verifiability, completeness, and orientation toward MSME financial reporting standards. These indicators capture the extent to which MSME financial reports provide useful, understandable, traceable, and complete information for business decision-making

Data Analysis

Data were analyzed using SmartPLS 4. The analysis followed a two-stage PLS-SEM procedure consisting of measurement model assessment and structural model assessment. The measurement model was evaluated using outer loadings, Cronbach's alpha, rho_A, composite reliability, average variance extracted, HTMT, and the Fornell-Larcker criterion. The structural model was evaluated using inner VIF, path coefficients, t-values, p-values, R-square, f-square, and specific indirect effects. Bootstrapping with 5,000 subsamples was used to assess statistical significance. Procedural remedies were applied to reduce common method bias by using clear wording, avoiding double-barreled items, and asking respondents to answer based on actual business practices (Podsakoff et al., 2003).

3. RESULTS AND DISCUSSION

Results

a. Respondent Profile, the study involved 322 MSME actors in Kendari City. Female respondents represented 56.8% of the sample, while male respondents accounted for 43.2%. Most respondents were aged 25-34 years (32.3%) and 35-44 years (28.3%), indicating that the sample was dominated by productive-age MSME actors. Most respondents had completed senior high school or equivalent education (41.0%) or held a bachelor's degree (36.0%). Business owners represented the majority of respondents (64.0%), suggesting that the data were obtained primarily from individuals involved in financial decision-making and operations.

Table 2. Respondent profile summary

Characteristic	Dominant category	Frequency	Percentage
Gender	Female	183	56.8%
Age	25-34 years	104	32.3%
Education	Senior high school/equivalent	132	41.0%
Position	Owner	206	64.0%
Business sector	Culinary/food and beverage	91	28.3%
Business age	2-5 years	112	34.8%
Employees	1-3 employees	132	41.0%
Accounting record system	Mobile/POS application	93	28.9%
Financial reporting frequency	Monthly	109	33.9%

b. Measurement Model, the measurement model demonstrated acceptable reliability and convergent validity. Outer loadings ranged from 0.685 to 0.850. Although DAC3 and SAP7 were slightly below the recommended 0.708 threshold, they were retained because construct-level reliability and AVE remained satisfactory. Cronbach's alpha values ranged from 0.853 to 0.888, composite reliability ranged from 0.888 to 0.911, and AVE ranged from 0.532 to 0.585, exceeding recommended thresholds.

Table 3. Reliability and convergent validity

Construct	Loading range	Alpha	rho_A	CR	AVE
AISQ	0.703-0.774	0.853	0.855	0.888	0.532
DAC	0.697-0.850	0.876	0.881	0.904	0.575
FRQ	0.720-0.783	0.888	0.888	0.911	0.561
MAP	0.713-0.792	0.876	0.883	0.904	0.573
SAP	0.685-0.822	0.881	0.882	0.908	0.585

c. Structural Model and Hypothesis Testing, Inner VIF values ranged from 3.429 to 4.923, indicating that collinearity did not exceed the commonly used maximum threshold of 5.00, although several values were close to the upper boundary. The model explained 93.2% of the variance in AISQ and 95.1% of the variance in FRQ, indicating very strong explanatory power.

Table 4. Structural path results

Hypothesis	Path	Beta	t-value	p-value	Decision
H1	DAC -> AISQ	0.654	16.824	<0.001	Supported
H2	MAP -> AISQ	-0.289	7.077	<0.001	Not supported in expected direction
H3	SAP -> AISQ	0.670	24.170	0.002	Supported
H4	AISQ -> FRQ	0.042	0.810	0.418	Not supported
H5	DAC -> FRQ	-0.101	1.960	0.050	Marginal; not supported
H6	MAP -> FRQ	0.488	9.472	0.001	Supported
H7	SAP -> FRQ	0.594	14.055	0.003	Supported

The results show that DAC and SAP significantly improved AISQ. However, AISQ did not significantly improve FRQ. MAP and SAP were the strongest direct predictors of FRQ, indicating that financial reporting quality among MSMEs is more strongly associated with managerial accounting routines and sustainability-oriented documentation than with system quality alone.

The findings imply that SME mentoring and development programs should move beyond technology-oriented training. Although digital accounting capability improves accounting information system quality, financial reporting quality is mainly strengthened by management accounting practices and sustainability accounting practices. Therefore, mentoring programs should integrate digital accounting training with practical accounting routines, including cost calculation, budgeting, cost control, pricing decisions, performance evaluation, and simple financial report preparation. In addition, mentors, local government agencies, universities, and business incubators should assist MSMEs in converting daily transaction records into relevant, timely, complete, and verifiable financial reports. The strong role of sustainability accounting practices also suggests that mentoring should include simple sustainability documentation, such as environmental costs, resource efficiency, waste handling, and social responsibility activities. Thus, an integrated mentoring model combining digital accounting, management accounting literacy, sustainability documentation, and reporting formalization is more appropriate than a technology-only approach.

Table 5. Effect size, collinearity, and mediation summary

Path / indirect path	f-square / Beta	VIF / t-value	p-value	Interpretation
DAC -> AISQ	1.785	3.541	<0.001	Large effect; supported
MAP -> FRQ	0.825	4.923	0.001	Large effect; supported
SAP -> AISQ	2.727	4.429	0.002	Large effect; supported
SAP -> FRQ	0.800	4.051	0.003	Large effect; supported
DAC -> AISQ -> FRQ	0.028	0.806	0.420	No mediation
MAP -> AISQ -> FRQ	-0.012	0.810	0.418	No mediation
SAP -> AISQ -> FRQ	0.028	0.815	0.415	No mediation

Discussion

This study explains how accounting-related capabilities shape financial reporting quality among MSMEs in Kendari City. The central finding is that financial reporting quality is not merely a technical outcome of digital accounting adoption or AIS quality. Instead, it is more directly shaped by management accounting practices and sustainability accounting practices. This reveals a capability-reporting gap: digital accounting capability strengthens AISQ, but it does not

automatically translate into higher FRQ. This pattern is meaningful in MSMEs, where digital tools are often used for transaction recording, cash monitoring, and inventory checking but not yet institutionalized into formal financial reporting routines ((M. Al-Okaily et al., 2023; Hung et al., 2023; Monteiro et al., 2024).

The positive effect of DAC on AISQ confirms that digital accounting capability operates as an operational enabler. MSMEs that use digital applications, record transactions electronically, and access accounting information quickly are more likely to develop structured and useful accounting systems. This result aligns with studies showing that cloud accounting, ERP adoption, and digital transformation enhance accounting information quality and decision support (Abu Afifa et al., 2025; M. Al-Okaily et al., 2023; Hung et al., 2023; Li et al., 2025). However, the finding also suggests that digitalization must move beyond data capture toward reporting formalization.

Sustainability accounting practices also improved AISQ and became the strongest direct predictor of FRQ. This is the most important theoretical contribution of the study. The finding suggests that MSMEs with stronger sustainability accounting practices are more disciplined in documenting economic, social, and environmental activities. Sustainability accounting improves FRQ not only through environmental awareness but also through documentation, transparency, and accountability. This extends prior evidence on environmental management accounting, sustainability reporting, and ESG by showing that simple sustainability documentation can strengthen financial reporting quality in MSMEs ((Appiah-Kubi, 2024; Gerged et al., 2024; Ortiz-Martinez et al., 2023; Ozer et al., 2024; Setyaningsih et al., 2024).

MAP also had a strong positive effect on FRQ. MSMEs that apply costing, budgeting, cost control, pricing decisions, and performance evaluation tend to produce better financial reports because these routines require systematic use of accounting information. This supports the view that MSME reporting quality is influenced by managerial routines rather than formal systems alone. It is consistent with studies showing that management accounting practices support decision-making, performance monitoring, and sustainable business development in small businesses (Dasanayaka et al., 2021; Pedroso & Gomes, 2024; Yla-Kujala et al., 2023).

The non-significant effect of AISQ on FRQ indicates that better accounting systems do not automatically produce high-quality financial reports. In Kendari MSMEs, AIS may be useful for daily transactions but not fully used to prepare complete and standardized financial reports. This finding does not contradict prior AIS studies that reported positive effects on decision-making and performance; rather, it suggests that AIS benefits depend on whether system outputs are translated into formal reporting practices (Adwi, Putra, et al., 2024; Al-Hattami, 2024; Asraf, Hakim, et al., 2024; Monteiro et al., 2024; Thuy, 2025). The non-significant mediation results reinforce this interpretation: AISQ has not yet become a transformation mechanism that converts accounting capabilities into reporting quality.

The unexpected negative effect of MAP on AISQ and the marginal negative effect of DAC on FRQ should be read cautiously. These coefficients may reflect the informal, owner-centered, and experience-based nature of MSME accounting. Owners may calculate costs, set prices, control expenses, and evaluate profit using simple notes or direct observation rather than formal AIS. Similarly, MSMEs may adopt digital applications without using them for standardized financial reporting. Thus, the findings emphasize the distinction between digital recordkeeping capability and formal financial reporting capability (Jackson & Allen, 2024; Johri, 2025; Setyaningsih et al., 2024).

This study contributes to the literature in four ways. First, it positions management accounting practices and sustainability accounting practices as direct antecedents of MSME financial reporting quality. Second, it introduces a capability-reporting gap showing that digital capability and system quality are necessary but insufficient without reporting routines. Third, it advances sustainability accounting research by demonstrating that sustainability practices can strengthen financial reporting quality, not only non-financial disclosure or environmental performance. Fourth, it provides evidence from regional MSMEs in an emerging-economy, where digitalization and sustainability documentation are still developing.

Practically, MSME development programs should not focus only on digital accounting application adoption. Training should also develop cost calculation, budgeting, pricing, performance evaluation, sustainability documentation, and simplified financial reporting standards. For local

government and MSME assistance agencies, the findings support integrated programs that combine digital accounting training, management accounting literacy, and sustainability documentation. The findings should be interpreted with methodological caution. Although the model demonstrated very strong explanatory power, several accounting-related constructs were conceptually close. Future studies should refine the boundaries among digital recordkeeping capability, AIS quality, financial reporting capability, and sustainability accounting practices. Future research may also test the model across different sectors, compare micro and small firms, use longitudinal designs, or add variables such as accounting literacy, SAK EMKM awareness, internal control effectiveness, and external accountant support.

4. CONCLUSION

This study examined how digital accounting capability, management accounting practices, and sustainability accounting practices shape financial reporting quality among MSMEs in Kendari City, with accounting information system quality positioned as a mediating mechanism. The findings reveal that financial reporting quality is not determined merely by digital accounting tools or accounting information systems. Instead, it is more strongly influenced by the extent to which MSMEs apply accounting practices in managerial decision-making and sustainability-oriented documentation. Digital accounting capability significantly improves accounting information system quality, indicating that MSMEs with stronger ability to use digital applications, record transactions electronically, store financial data, and access accounting information efficiently are more likely to develop better accounting systems. However, digital capability does not directly translate into higher financial reporting quality. This suggests that digitalization in MSMEs may still function primarily as a transaction-recording tool rather than as a formal reporting mechanism.

Management accounting practices and sustainability accounting practices emerged as the most important direct determinants of financial reporting quality. Management accounting strengthens reporting quality by encouraging MSMEs to use cost information, budgeting, cost control, pricing decisions, and performance evaluation. Sustainability accounting strengthens reporting quality by encouraging documentation of environmental costs, resource efficiency, waste management, social responsibility, and responsible business activities. These practices improve the discipline, completeness, transparency, and usefulness of financial reporting.

Theoretically, this study contributes to accounting and MSME literature by integrating digital, managerial, and sustainability accounting capabilities into one explanatory model and by demonstrating a capability-reporting gap in regional MSMEs. Practically, the findings also imply that regional SME development policies should move beyond technology-based training. Since financial reporting quality is mainly strengthened by management accounting practices and sustainability accounting practices, regional governments should integrate digital accounting training with cost calculation, budgeting, pricing, sustainability documentation, and simple financial reporting assistance. Such policies can be implemented through accounting clinics, university–government mentoring programs, and sector-based MSME assistance to improve reporting discipline, accountability, access to financing, and sustainable regional business development. Future studies should test the model across sectors and regions and further examine the role of accounting literacy, internal control, and external accounting support.

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