

## Digital Accounting and SAK EMKM: Driving MSMEs' Competitive Advantage and Accounting Performance in Bali

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### ABSTRACT

Micro, small, and medium enterprises (MSMEs) are central to Bali's economy, yet many continue to face accounting performance challenges due to weak financial reporting practices, limited financial literacy, and uneven digital accounting adoption. This study examines MSMEs' competitive advantage and the effects of SAK EMKM implementation, financial literacy, and digital accounting literacy on business accounting performance, with competitive advantage as a mediating variable. Using a quantitative explanatory design, data were collected from 210 MSME owners and managers in Bali and analyzed using Structural Equation Modeling-Partial Least Squares (SEM-PLS). The results reveal that SAK EMKM implementation has the strongest positive effect on competitive advantage ( $b = 0.312$ ;  $p < 0.001$ ), followed by digital accounting literacy ( $b = 0.287$ ;  $p < 0.001$ ) and financial literacy ( $b = 0.256$ ;  $p = 0.014$ ). Competitive advantage also positively affects business accounting performance ( $b = 0.356$ ;  $p < 0.001$ ) and significantly mediates the relationships between the three internal capabilities and accounting performance. These findings indicate that MSMEs can improve sustainable accounting performance by transforming accounting standard compliance, financial capability, and digital accounting literacy into a competitive advantage.

**Keywords:** Business Accounting Performance; Competitive Advantage; Digital Accounting Literacy; Financial Literacy; MSMEs; SAK EMKM

**JEL Classification:** M41; M21; O33; L26.

## INTRODUCTION

Micro, small, and medium enterprises (MSMEs) play a crucial role in supporting Bali's regional economy, particularly through tourism, trade, culinary businesses, and creative industries, which are highly dependent on the resilience and sustainability of local enterprises (Subawa et al., 2022). Bali was selected as the research setting because the province experienced significant economic pressure following the decline of tourism activities during the pandemic, forcing many MSMEs to accelerate digital adaptation and improve financial management practices to survive in an increasingly competitive environment (Dian & Bagus, 2021). However, despite the recovery of tourism and business activities, many MSMEs in Bali continue to face challenges related to financial management, accounting adoption, and access to formal financing (Yuliantari & Pramuki, 2022). A considerable number of MSMEs still rely on simple manual bookkeeping practices, resulting in low-quality financial reporting and difficulties in meeting the administrative requirements of financial institutions. These conditions limit the ability of MSMEs to monitor operational costs, evaluate profitability, and formulate sustainable business strategies. The sustainability of MSMEs is therefore heavily dependent on their ability to manage financial resources effectively in order to achieve optimal business accounting performance.

Accounting performance, which is reflected through profit growth, cost efficiency, and the strengthening of asset positions, serves as a primary indicator of a business's health. However, current phenomena indicate that many MSMEs experience performance stagnation caused by an inability to precisely monitor operational costs and a failure to map profitability targets (Muhibbin et al., 2026; Prahandani & Laksmidewi, 2025). Furthermore, robust accounting performance is significantly influenced by information quality and the managerial capabilities of the owners (Barney, 1991; Brigham & Houston, 2019). Without performance measurement based on valid accounting data, MSMEs remain trapped in financial uncertainty that threatens long-term business continuity.

Business accounting performance reflects the success of the strategies and operational efficiencies implemented by MSME entities, measured through indicators such as net profit growth, increased asset value, and production cost savings (Gan et al., 2022; Yew et al., 2024). Currently, many MSMEs in Indonesia, particularly in the Bali region, still face obstacles in maintaining financial stability due to an inability to perform accurate cost mapping and profit projections. According to the Resource-Based View (RBV) theory proposed by Barney (1991), superior performance results from the integration of resources that are valuable and difficult to imitate. In this context, the primary factor influencing business accounting performance is the existence of a synergistic accounting capability integration (Kawulur et al., 2025). This integration consists of financial literacy, which acts as a cognitive base for managers in making strategic decisions (Lusardi & Mitchell, 2014; Ngatindriatun et al., 2026), and digital literacy, which serves as a technical enabler through the use of information technology to accelerate data presentation and minimize errors (Turban et al., 2018).

The synergy of these intellectual and technical capabilities is further perfected by the implementation of the Financial Accounting Standards for Micro, Small, and Medium Entities (*Standar Akuntansi Keuangan Entitas Mikro, Kecil, dan Menengah* or SAK EMKM), which functions as a standardization framework. The application of these standards is crucial as it provides a uniform business language and increases the credibility of financial statements for external parties (Rudiantoro & Siregar, 2012). When MSMEs are able to unify financial intelligence, technological proficiency, and compliance with accounting standards, a solid financial governance ecosystem is created. This ecosystem ultimately creates a competitive advantage for MSMEs, whereby entities

possess higher bargaining power and better efficiency compared to their competitors (Porter, 1985). Thus, competitive advantage acts as a bridge that converts administrative and intellectual capabilities into real achievements in sustainable business accounting performance.

The influence of SAK EMKM implementation on business performance has become an important discourse in accounting literature (Bonifacio et al., 2024). Theoretically, the consistent application of accounting standards improves the quality of financial information that assists in decision-making, thereby having a positive impact on performance (Rudiantoro & Siregar, 2012). However, empirical research results show inconsistencies. Some studies find that SAK EMKM implementation significantly improves performance by facilitating access to capital and cost control. Conversely, other research suggests that for some MSMEs, the implementation of accounting standards is perceived merely as an administrative burden that does not provide a direct impact on profitability unless accompanied by the strategic use of that information.

Furthermore, financial literacy plays a crucial role in determining how financial decisions are made to drive performance. Business owners with high financial literacy tend to be more prudent in managing debt and investment, which directly strengthens financial performance (Lusardi & Mitchell, 2014). Research by Prakoso (2020) supports the finding that financial literacy is a strong predictor of MSME success. Nevertheless, there are differing findings stating that financial literacy does not always correlate positively with business performance if market conditions are unstable or if business owners possess high overconfidence in taking financial risks, preventing that knowledge from being converted into profit.

In the era of digitalization, digital accounting literacy has emerged as a new variable determining efficiency and performance (Kolil et al., 2026; Rashid & Abdullah, 2026). The use of technology in financial recording is believed to accelerate data presentation and reduce manual errors, which in turn improves company performance (Turban et al., 2018). Prior studies suggest that accounting digitalization can improve operational efficiency, strengthen information accuracy, and support faster decision-making among MSMEs. However, other studies indicate that digital literacy may not significantly improve performance when MSMEs lack adequate technological infrastructure or when technology investment costs exceed the efficiency benefits generated.

The integration of these three factors, SAK EMKM administrative order, financial intelligence, and digital proficiency, is expected not only to have a direct impact on performance but also to first form competitive advantage (Wolor et al., 2025). Recent research by Ramdhani and Anandya (2022) shows that literacy and the implementation of accounting standards significantly strengthen the bargaining position of MSMEs in the market through more transparent reporting. This advantage will subsequently mediate the influence of these variables in creating sustainable accounting performance for MSMEs amidst increasingly competitive market rivalry. This is supported by the findings of Rasyid et al. (2025), which emphasize that financial and digital capabilities do not automatically increase profitability; rather, they must be converted into cost leadership and differentiation strategies first.

Based on the background described, this study aims to examine the influence of SAK EMKM implementation, financial literacy, and digital accounting literacy on competitive advantage among MSMEs in Bali. Furthermore, this research investigates the effect of competitive advantage on business accounting performance and examines its mediating role in the relationship between the three independent variables and accounting performance. The significance and novelty of this study lie in its comprehensive

approach to integrating accounting standard implementation, financial capability, and digital capability within an RBV-based mediation model. Theoretically, this study contributes to the development of MSME financial governance literature by explaining how internal capabilities can be transformed into superior accounting performance through competitive advantage. Practically, the findings are expected to provide strategic implications for MSME owners and policymakers in improving digital adaptation, accounting practices, and financial management to support sustainable MSME development in Bali.

## **LITERATURE REVIEW**

### **Resource-Based View (RBV)**

The RBV theory developed by Barney (1991) serves as the primary theoretical foundation of this study. RBV posits that a firm can achieve superior and sustainable performance if it possesses resources that are valuable, rare, inimitable, and organized (VRIO). In the context of MSMEs, these resources are not limited to physical assets but emphasize internal capabilities such as financial literacy, digital proficiency, and standardized financial reporting systems. The integration of these intangible resources creates organizational uniqueness that triggers the emergence of competitive advantage. Within the RBV perspective, SAK EMKM implementation represents an organizational capability that improves information quality and financial governance. Financial literacy reflects human capital resources that support effective managerial decision-making, while digital accounting literacy represents technological capability that enhances efficiency and accuracy in financial reporting. The integration of these internal capabilities enables MSMEs to create a competitive advantage, which subsequently leads to superior business accounting performance. Therefore, competitive advantage functions as a strategic mechanism that transforms internal resources into sustainable organizational outcomes.

### **Business Accounting Performance**

Business accounting performance refers to the ability of a business to generate measurable financial outcomes through effective resource management, cost efficiency, profitability, and asset growth (Brigham & Houston, 2019). In MSMEs, accounting performance is not only reflected in profit figures but also in the ability to record, evaluate, and use financial information for operational and strategic decisions. Within the Resource-Based View, accounting performance represents the outcome of how effectively internal resources are organized and transformed into value. Therefore, MSMEs with stronger financial reporting practices, better financial literacy, and digital accounting capability are expected to achieve more reliable financial control and stronger accounting performance.

### **Competitive Advantage**

Porter (1985) defines competitive advantage as a firm's ability to create value for customers that exceeds the cost of its creation, achieved through either cost leadership or differentiation strategies. In this model, competitive advantage acts as an intervening bridge that transforms administrative and intellectual capabilities into real performance outcomes. Ramdhani and Anandya (2022) emphasize that internal capabilities do not automatically increase profits unless they are first converted into a strategic competitive position.

### **Implementation of SAK EMKM Financial Reporting**

SAK EMKM is a financial reporting framework designed to provide a uniform business language for MSMEs. The implementation of this standard improves the structure, comparability, and credibility of financial statements, which are important for internal

decision-making and external stakeholder evaluation (Rudiantoro & Siregar, 2012). From the RBV perspective, SAK EMKM implementation can be understood as an organizational capability because it helps MSMEs produce reliable financial information, reduce information asymmetry, and strengthen access to financing. Therefore, consistency in applying SAK EMKM supports not only administrative compliance but also strategic financial governance.

### **Financial Literacy**

Financial literacy is a form of human capital that acts as a cognitive base for business managers. According to Lusardi and Mitchell (2014), financial literacy encompasses the knowledge, skills, and confidence that influence individual behavior in making high-quality financial decisions. Business owners who are financially literate are capable of managing debt, capital, and investment more prudently, which serves as a strong predictor of long-term business success.

### **Digital Accounting Literacy**

Digital accounting literacy refers to the technical ability of managers to utilize information technology for the bookkeeping process (Iram et al., 2026). As a technical enabler, the use of digital technology in accounting can accelerate data presentation and minimize manual errors (Turban et al., 2018). In addition, digital accounting literacy enables MSMEs to produce financial information more efficiently, accurately, and in real time, thereby supporting faster managerial decision-making processes. MSMEs with strong digital accounting capabilities also tend to have better financial transparency and adaptability in responding to dynamic market changes.

### **Hypotheses Development**

#### ***SAK EMKM Implementation and Competitive Advantage***

The implementation of accounting standards (SAK EMKM) creates administrative order and information transparency. MSMEs with standardized financial statements possess higher credibility in the eyes of banks and investors, serving as a strategic advantage for gaining capital access compared to competitors lacking formal financial records. Consequently, the implementation of SAK EMKM positively influences the entity's competitive advantage (Ramdhani & Anandya, 2022).

H1: SAK EMKM implementation has a positive effect on competitive advantage.

#### ***Financial Literacy and Competitive Advantage***

Business owners with sound financial understanding are capable of managing cash flow, investments, and risks effectively. According to Barney (1991), within the RBV framework, superior performance and competitive advantage result from the integration of valuable and inimitable resources, including internal capabilities such as financial literacy. This intellectual capability enables MSMEs to make more precise and efficient decisions, thereby creating competitiveness through optimal resource management. Thus, financial literacy positively affects competitive advantage.

H2: Financial literacy has a positive effect on competitive advantage.

#### ***Digital Accounting Literacy and Competitive Advantage***

Proficiency in utilizing financial technology (software/applications) acts as a technical accelerator. Digitalization speeds up data presentation and minimizes human error, allowing MSMEs to be more adaptive, market-responsive, and operationally efficient compared to manual-based competitors (Rasyid et al., 2025). Based on this premise, Digital Accounting Literacy has a positive effect on competitive advantage.

H3: Digital accounting literacy has a positive effect on competitive advantage.

#### ***Competitive Advantage and Business Accounting Performance***

Competitive advantage reflects the ability of MSMEs to create greater value through efficiency, differentiation, and superior resource management compared to competitors (Porter, 1985). Within the RBV perspective, competitive advantage serves as a strategic outcome of valuable internal capabilities that subsequently improve organizational performance. MSMEs possessing stronger competitive advantages tend to achieve better accounting performance through increased profitability, operational efficiency, and stronger financial stability.

H4: Competitive advantage has a positive effect on business accounting performance.

#### ***The Mediation Role of Competitive Advantage on SAK EMKM Implementation and Business Accounting Performance***

SAK EMKM implementation positively affects business accounting performance through the mediation of competitive advantage. Consistent application of accounting standards creates administrative discipline and transparency, strengthening the MSME's bargaining position. Compliance with these standards serves as a standardization framework that enhances institutional credibility, providing strategic advantages in capital access. Recent findings suggest that compliance capabilities do not automatically boost profitability; rather, they must be converted into cost leadership and differentiation strategies first (Ramdhani & Anandya, 2022). In the post-pandemic era, the synergy between standard compliance and information technology becomes a strategic asset bridging sustainable accounting performance, such as profit growth and cost efficiency reflected in financial reports (Rasyid et al., 2025).

H5: Competitive advantage mediates the effect of SAK EMKM implementation on business accounting performance.

#### ***The Mediation Role of Competitive Advantage on Financial Literacy and Business Accounting Performance***

Financial literacy enables MSME owners to make effective financial decisions related to budgeting, investment, and cash flow management (Lusardi & Mitchell, 2014). Within the RBV framework, this capability represents a valuable internal resource that strengthens strategic decision-making and operational efficiency. These conditions help MSMEs develop a competitive advantage, which subsequently improves business accounting performance through better profitability and financial control. Therefore, competitive advantage mediates the relationship between financial literacy and business accounting performance (Ramdhani & Anandya, 2022).

H6: Competitive advantage mediates the effect of financial literacy on business accounting performance.

#### ***The Mediation Role of Competitive Advantage on Digital Accounting Literacy and Business Accounting Performance***

Digital accounting literacy refers to the technical ability of managers to utilize information technology for bookkeeping, acting as a technical enabler (Turban et al., 2018). The use of technology in financial recording is believed to accelerate data reporting and reduce manual errors, thereby improving operational efficiency compared to manual systems. However, digital capability does not automatically enhance profitability; it must first be converted into cost leadership strategies or competitive advantage. In the post-pandemic landscape, the synergy between information technology and accounting compliance

becomes a strategic asset providing long-term competitiveness (Rasyid et al., 2025). This competitive advantage subsequently serves as an intervening variable that transforms digital proficiency into sustainable business accounting performance.

H7: Competitive advantage mediates the effect of digital accounting literacy on business accounting performance.

### Conceptual Framework

Based on the description of the hypothesis above, the research framework formed in this research can be described as follows in Figure 1.

Figure 1. Research Framework

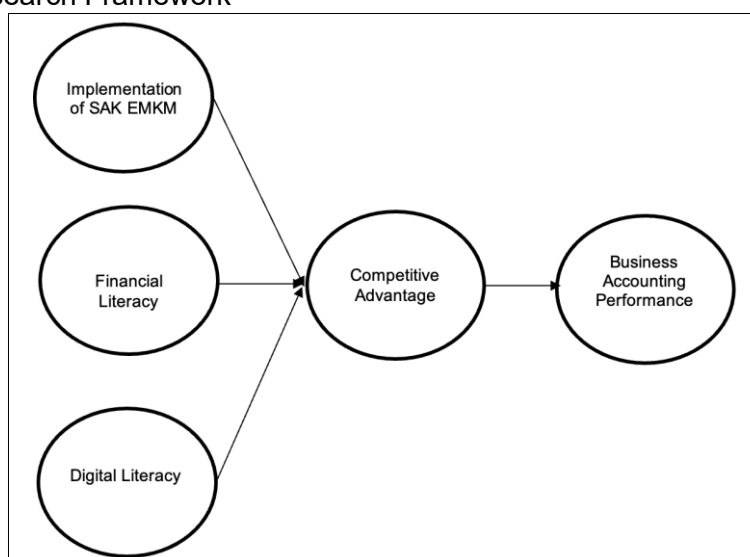


Figure 1 illustrates the proposed research model. SAK EMKM implementation, financial literacy, and digital accounting literacy are positioned as independent variables that influence competitive advantage as the mediating variable. Furthermore, competitive advantage is expected to enhance business accounting performance. The model is developed based on the RBV, which emphasizes that internal organizational capabilities can create sustainable competitive advantage and superior performance.

## RESEARCH METHOD

### Population and Sample

This study uses a quantitative explanatory research design aimed at testing the causal relationships between SAK EMKM implementation, financial literacy, digital accounting literacy, competitive advantage, and business accounting performance. The population in this study comprises all MSMEs operating within the productive sector in Bali Province. Given the dynamic and continuously changing number of MSMEs, the population is considered unknown (infinite population). The sample size determination follows the guideline of Hair et al. (2014), which recommends a minimum sample size of 5–10 times the number of indicators in Structural Equation Modeling-Partial Least Squares (SEM-PLS). In this study, there are 20 indicators, resulting in a minimum required sample of 200 respondents (20 × 10). The final data collected in this study consists of 210 MSME respondents, which exceeds the minimum requirement and is therefore considered adequate for SEM-PLS analysis. The sampling technique used is non-probability sampling with a purposive sampling method. The criteria for selecting respondents are as follows: (1) MSMEs that have been actively operating for at least one year in Bali Province; (2) MSMEs that have adopted or used digital tools in their business operations,

such as accounting software, digital payment systems, or spreadsheet-based financial recording; and (3) respondents are owners, managers, or individuals who are directly responsible for financial management and bookkeeping activities within the MSME.

### **Variable Identification and Operational Definitions**

This study consists of five main variables: SAK EMKM implementation, financial literacy, digital accounting literacy, competitive advantage, and business accounting performance. SAK EMKM implementation is positioned as the first independent variable and refers to the extent to which MSMEs comply with standardized financial statement preparation and presentation (Rudiantoro & Siregar, 2012). This variable is measured through four indicators: presentation of the statement of financial position, presentation of the income statement, presentation of notes to the financial statements, and conformity with recognition and measurement principles.

Financial literacy is the second independent variable and reflects the financial knowledge and capability of MSME managers in making sound financial decisions (Lusardi & Mitchell, 2014). This variable is measured using four indicators: basic financial knowledge, cash flow management, investment and risk management, and financial self-confidence. Digital accounting literacy is the third independent variable and refers to the ability of MSME actors to use digital accounting tools effectively as a technical enabler of financial management (Turban et al., 2018). Its indicators include software operational capability, data processing speed, digital data accuracy, and data security.

Competitive advantage is positioned as the mediating variable and reflects the ability of MSMEs to achieve market superiority. This variable is measured through cost leadership, product differentiation, capital access, and price competitiveness. Finally, business accounting performance serves as the dependent variable and represents the final outcome of effective resource and financial management (Brigham & Houston, 2019). This variable is measured through net profit growth, operational cost efficiency, asset value growth, and profitability.

### **Data Collection Techniques**

Primary data were collected during the period of February–May 2026 in Bali Province, Indonesia, through the distribution of structured questionnaires both online (Google Forms) and offline (direct distribution to MSME locations). The questionnaire was designed using a 5-point Likert scale ranging from strongly disagree to strongly agree to capture respondents' perceptions of each indicator. The instrument consists of 40 statement items, with two items representing each of the 20 indicators across the five variables. Prior to data analysis, responses were screened to ensure completeness and suitability for SEM-PLS requirements.

Data analysis was conducted using SEM-PLS with SmartPLS software. The analysis consisted of two main stages: (1) Outer Model evaluation, including convergent validity, composite reliability, Cronbach's alpha, and Average Variance Extracted (AVE); and (2) Inner Model evaluation, including coefficient of determination ( $R^2$ ) and path coefficient significance testing. In addition, mediation analysis was conducted using bootstrapping techniques to examine the role of competitive advantage in mediating the relationships between the independent variables and business accounting performance.

Participation in this study was voluntary, and respondents were informed about the research purpose before completing the questionnaire. The data were collected anonymously and used only for academic purposes to maintain respondent confidentiality.

## RESULTS

**Table 1.** Respondent Characteristics

Category	Classification	Frequency	Percentage (%)
Gender	Male	98	46.7
	Female	112	53.3
Age (in years)	< 25	32	15.2
	25 – 35	84	40.0
	36 – 45	61	29.1
	> 45	33	15.7
Length of Business (in years)	< 2	45	21.4
	2 – 5	92	43.8
	6 – 10	51	24.3
	> 10	22	10.5
Type of Business	Culinary (Food/Drinks)	88	41.9
	Fashion & Crafts	54	25.7
	Services (Salon, Laundry, etc.)	38	18.1
	Retail Trade	30	14.3

**Table 1** presents the demographic characteristics of the 210 MSME respondents. Female respondents accounted for 53.3% of the sample, while male respondents accounted for 46.7%, indicating a relatively balanced gender distribution with slightly higher female participation. Based on age, the largest group of respondents was 25–35 years old (40.0%), followed by those aged 36–45 years (29.1%). This suggests that most respondents were within productive age groups and were likely to be actively involved in business management. In terms of business duration, most MSMEs had operated for 2–5 years (43.8%), indicating that many respondents had passed the initial start-up stage and had experience managing business operations. The largest business category was culinary businesses (41.9%), followed by fashion and crafts (25.7%), services (18.1%), and retail trade (14.3%). This profile is relevant to Bali’s MSME structure, which is closely connected to tourism, trade, and local consumption activities.

**Table 2.** Descriptive Statistics Test Result

Variable	Min	Max	Mean	Std. Deviation
Implementation of SAK EMKM	3.13	5.00	4.31	0.48
Financial Literacy	3.25	5.00	4.33	0.46
Digital Accounting Literacy	3.00	5.00	4.34	0.49
Competitive Advantage	3.00	5.00	4.34	0.47
Business Accounting Performance	3.00	5.00	4.33	0.47

Based on the descriptive statistical results of 210 MSME respondents in Bali, as presented in **Table 2**, all research variables exhibit consistently high mean values ranging from 4.31 to 4.34. This indicates that MSME actors generally have a strong level of agreement regarding the importance of SAK EMKM implementation, financial literacy, digital accounting literacy, competitive advantage, and business accounting performance in supporting business sustainability. In practical terms, this suggests that most MSMEs in Bali have already recognized the strategic role of accounting standard adoption, financial capability, and digital tools in improving their business operations.

Although the average scores are relatively high and close to each other, the slight variation among variables implies that digital accounting literacy and competitive advantage are perceived as slightly more prominent aspects in current MSME practices. This reflects the ongoing transition of MSMEs toward digital-based financial management and competitiveness-oriented business strategies. The minimum and

maximum values ranging from 3.00 to 5.00 indicate that while some MSMEs are still in the early stages of adopting advanced accounting and digital practices, others have already implemented them at a more mature level. Furthermore, the relatively low standard deviation values (0.46–0.49) suggest a high level of consistency in responses among MSME owners/managers. This relatively low variation indicates that respondents in the sample tended to provide consistent assessments regarding the importance of accounting practices, financial capability, digital accounting literacy, competitive advantage, and business accounting performance.

**Table 3.** Convergent Validity (Outer Loading)

Variable	Indicator	Loading Factor	Result
Implementation of SAK EMKM	X1.1 – X1.8	0.782 – 0.895	Valid
Financial Literacy	X2.1 – X2.8	0.765 – 0.912	Valid
Digital Accounting Literacy	X3.1 – X3.8	0.801 – 0.888	Valid
Competitive Advantage	M1 – M8	0.790 – 0.905	Valid
Business Accounting Performance	Y1 – Y8	0.774 – 0.920	Valid

The results of the convergent validity test in [Table 3](#) indicate that all indicators forming the variables of SAK EMKM Implementation, Financial Literacy, Digital Accounting Literacy, Competitive Advantage, and Business Accounting Performance possess loading factor values exceeding the 0.70 threshold. The lowest value was identified in the Financial Literacy indicator (0.765), while the highest value was found in the Business Accounting Performance indicator (0.920). These results imply that all items in the questionnaire have a very strong correlation with their respective latent constructs. Consequently, it can be concluded that all research indicators are statistically valid for measuring the investigated variables and are eligible for further structural model testing without requiring the removal of any indicators from the model.

**Table 4.** Reliability and Validity Results

Variable	Cronbach's Alpha	Composite Reliability	AVE	Result
Implementation of SAK EMKM	0.912	0.928	0.615	Reliable and Valid
Financial Literacy	0.898	0.915	0.598	Reliable and Valid
Digital Accounting Literacy	0.925	0.938	0.654	Reliable and Valid
Competitive Advantage	0.904	0.922	0.602	Reliable and Valid
Business Accounting Performance	0.931	0.943	0.676	Reliable and Valid

The evaluation results of the measurement model in [Table 4](#) indicate that all research variables have met the required validity and reliability criteria in PLS-SEM. This is evidenced by the Cronbach's Alpha and Composite Reliability values for all variables, which exceed the 0.70 threshold, thereby confirming that the research instrument possesses very strong internal consistency and reliability. Furthermore, the AVE for all variables yielded values above 0.50, ranging from 0.598 to 0.676. This reinforces that each latent construct demonstrates good convergent validity and is capable of explaining more than 50% of the variance of its indicators. Overall, the instrument utilized in this study on MSMEs in Bali has been statistically validated for proceeding to the structural model testing or hypothesis testing stage.

**Table 5.** Direct Effects Test Results

Hypothesis	Path Coefficient	T-Statistics	P-Values	Result
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H1	Implementation of SAK EMKM (X1) → Competitive Advantage (M)	0.312	4.210	0.000	Supported
H2	Financial Literacy (X2) → Competitive Advantage (M)	0.256	2.456	0.014	Supported
H3	Digital Accounting Literacy (X3) → Competitive Advantage (M)	0.287	3.892	0.000	Supported
H4	Competitive Advantage (M) → Business Accounting Performance (Y)	0.356	4.876	0.000	Supported

**Table 6.** Indirect Effects Test Results

Hypothesis		Path Coefficient	T-Statistics	P-Values	Result
H5	Implementation of SAK EMKM (X1) → Competitive Advantage (M) → Business Accounting Performance (Y) (Mediating of Implementation of SAK EMKM)	0.111	2.845	0.005	Supported
H6	Financial Literacy (X2) → Competitive Advantage (M) → Business Accounting Performance (Y) (Mediating of Financial Literacy)	0.092	2.134	0.033	Supported
H7	Digital Accounting Literacy (X3) → Competitive Advantage (M) → Business Accounting Performance (Y) (Mediating of Digital Accounting Literacy)	0.102	3.456	0.001	Supported

### Hypothesis Testing and Path Analysis

#### ***Direct Effect Interpretation***

Table 5 presents the results of the direct effect testing. The findings show that all direct relationships are statistically significant, as each path has a T-statistic above 1.96 and a p-value below 0.05. Therefore, H1, H2, H3, and H4 are supported.

The effect of SAK EMKM implementation on competitive advantage is positive and significant, with a path coefficient of 0.312, a T-statistic of 4.210, and a  $p < 0.001$ . Thus, H1 is supported. Financial literacy also has a positive and significant effect on competitive advantage, with a path coefficient of 0.256, a T-statistic of 2.456, and a p-value of 0.014, supporting H2.

Furthermore, digital accounting literacy has a positive and significant effect on competitive advantage, as shown by a path coefficient of 0.287, a T-statistic of 3.892, and a  $p < 0.001$ . Therefore, H3 is supported. Competitive advantage also has a positive and significant effect on business accounting performance, with a path coefficient of 0.356, a T-statistic of 4.876, and a  $p < 0.001$ , supporting H4. Among the direct effects, the relationship between competitive advantage and business accounting performance shows the highest path coefficient.

**Indirect Effect Interpretation**

Table 6 also presents the results of the indirect effect testing. The mediation results indicate that all indirect relationships are statistically significant, with T-statistics above 1.96 and p-values below 0.05. Therefore, H5, H6, and H7 are supported.

The indirect effect of SAK EMKM implementation on business accounting performance through competitive advantage is significant, with a coefficient of 0.111, a T-statistic of 2.845, and a p-value of 0.005. Thus, H5 is supported. The indirect effect of financial literacy on business accounting performance through competitive advantage is also significant, with a coefficient of 0.092, a T-statistic of 2.134, and a p-value of 0.033, supporting H6.

Finally, the indirect effect of digital accounting literacy on business accounting performance through competitive advantage is significant, with a coefficient of 0.102, a T-statistic of 3.456, and a p-value of 0.001. Therefore, H7 is supported. These findings indicate that competitive advantage significantly mediates the relationships between SAK EMKM implementation, financial literacy, digital accounting literacy, and business accounting performance.

**Table 7.** Coefficient of Determination (R<sup>2</sup>) Results

Variable Dependent	R-Square	R-Square Adjusted	Result
Competitive Advantage (M)	0.542	0.535	Moderate
Business Accounting Performance (Y)	0.685	0.679	Strong

Based on the coefficient of determination results in Table 7, this research model demonstrates a strong level of explanatory power. The R<sup>2</sup> value for Business Accounting Performance (Y) is 0.685, indicating that 68.5% of the variance in business accounting performance can be explained by the structural model, particularly the role of competitive advantage as the direct predictor of accounting performance. Meanwhile, the remaining 31.5% is influenced by other factors outside the scope of this research model. This value falls into the strong category and indicates that the developed conceptual framework has substantial explanatory power in describing the drivers of business accounting performance among the sampled MSMEs.

Furthermore, the Competitive Advantage (M) variable yielded an R<sup>2</sup> value of 0.542, signifying that the independent variables in this study are capable of explaining 54.2% of the formation of Competitive Advantage, which is classified as "Moderate." Consequently, the model provides a meaningful explanation of how internal capabilities contribute to competitive advantage and business accounting performance.

**DISCUSSION**

**SAK EMKM Implementation and Competitive Advantage**

The results confirm that SAK EMKM implementation has a positive and significant effect on competitive advantage, as shown by the path coefficient of 0.312, T-statistic of 4.210, and  $p < 0.001$ . Thus, H1 is supported. This finding indicates that MSMEs that apply SAK EMKM more consistently are more capable of building competitive advantage through improved financial transparency, reporting discipline, and institutional credibility. In the MSME context, standardized financial statements are not merely administrative documents; they function as strategic information tools that help owners evaluate profitability, control costs, communicate business feasibility, and improve access to external financing.

This result is relevant to recent studies emphasizing that MSME competitiveness depends on the ability to organize internal capabilities into reliable business systems. [Subawa et al. \(2022\)](#) highlight the importance of MSME resilience in Bali's post-pandemic recovery, while [Yuliantari and Pramuki \(2022\)](#) show that competitive advantage plays an important role in strengthening MSME performance in Bali. In this regard, SAK EMKM implementation strengthens MSMEs because it provides credible financial information that supports decision-making and stakeholder trust. From the RBV perspective, SAK EMKM represents an organizational capability that becomes valuable when it is embedded in business routines and used to support strategic decisions. Therefore, the finding confirms that accounting standard implementation contributes to competitive advantage when MSMEs use financial reporting as a basis for managerial control, financing access, and business development.

### **Financial Literacy and Competitive Advantage**

Financial literacy also has a positive and significant effect on competitive advantage, with a path coefficient of 0.256, T-statistic of 2.456, and p-value of 0.014. Therefore, H2 is supported. This result suggests that MSME owners or managers with stronger financial literacy are better able to make effective decisions related to budgeting, cash flow management, investment, debt control, and risk management. These capabilities help MSMEs allocate resources more efficiently and maintain financial stability, which strengthens their competitive position.

The finding is consistent with [Prakoso \(2020\)](#), who found that financial literacy contributes to MSME performance, and is also aligned with recent studies on MSME capability development that view managerial knowledge as a key driver of sustainable performance. [Ngatindriatun et al. \(2026\)](#) show that organizational readiness and innovation-oriented capability support sustainable business performance, while [Muhibbin et al. \(2026\)](#) emphasize that MSME development requires managerial capacity to respond to institutional and market demands. In this study, financial literacy strengthens competitive advantage because financially capable owners can transform financial knowledge into more accurate pricing, better capital allocation, and stronger cost control. From the RBV perspective, financial literacy represents human capital that is valuable and difficult to substitute, particularly in small businesses where owners directly influence financial decisions. Thus, financial literacy becomes a strategic resource when it is translated into efficiency, financial discipline, and market responsiveness.

### **Digital Accounting Literacy and Competitive Advantage**

The results show that digital accounting literacy has a positive and significant effect on competitive advantage, with a path coefficient of 0.287, T-statistic of 3.892, and  $p < 0.001$ . Thus, H3 is supported. This finding indicates that MSMEs with stronger digital accounting literacy are more capable of improving competitiveness through faster financial data processing, more accurate records, lower manual error, and more responsive decision-making. Digital accounting literacy enables MSMEs to monitor transactions, expenses, cash flow, and profitability more efficiently, which is essential in dynamic and highly competitive markets.

This finding is strongly supported by [Yuliantari and Pramuki \(2022\)](#), who found that digital transformation strengthens MSME performance through competitive advantage in Bali. It is also consistent with [Kolil et al. \(2026\)](#), who emphasize that automation adoption supports MSME development, and [Rashid and Abdullah \(2026\)](#), who show that digital utilization can contribute to MSME strategic objectives and profitability. In this study, digital accounting literacy acts as a technological capability that allows MSMEs to convert financial data into timely managerial information. From the RBV perspective, this

capability is valuable because it improves efficiency and responsiveness, and it becomes difficult to imitate when combined with business experience, financial knowledge, and internal routines. Therefore, digital accounting literacy strengthens competitive advantage not only by improving technical recording processes but also by enhancing the quality and speed of financial decision-making.

### **Competitive Advantage and Business Accounting Performance**

The findings indicate that competitive advantage has a positive and significant effect on business accounting performance, as reflected by the path coefficient of 0.356, T-statistic of 4.876, and  $p < 0.001$ . Therefore, H4 is supported. This result shows that MSMEs with stronger competitive advantage are more likely to achieve better accounting performance through profit growth, cost efficiency, asset growth, and profitability. Competitive advantage allows MSMEs to use their resources more productively, compete through efficiency or differentiation, and strengthen their financial outcomes.

This finding is consistent with [Jiao et al. \(2023\)](#), who show that competitive advantage is closely related to sustainability and business performance, and with [Kawulur et al. \(2025\)](#), who demonstrate that internal capabilities can strengthen sustainable competitive advantage among small and medium enterprises. In the context of this study, competitive advantage serves as the performance channel through which accounting discipline, financial capability, and digital capability become economically meaningful. The result confirms the RBV argument that superior performance is not produced by resources alone, but by the ability to organize and convert those resources into market advantage. Therefore, MSMEs need to transform internal capabilities into cost leadership, differentiation, a stronger bargaining position, and better access to capital in order to improve business accounting performance.

### **Mediating Role of Competitive Advantage**

The mediation results show that competitive advantage significantly mediates the effect of SAK EMKM implementation on business accounting performance, with an indirect effect coefficient of 0.111, a T-statistic of 2.845, and a p-value of 0.005. Thus, H5 is supported. This finding means that SAK EMKM implementation improves accounting performance by strengthening the competitive advantage first. Standardized reporting enhances transparency and credibility, but its performance impact becomes stronger when MSMEs use financial information to improve cost control, financing access, and strategic planning. This supports the RBV view that organizational capability must be converted into competitive advantage before generating superior performance.

Competitive advantage also significantly mediates the relationship between financial literacy and business accounting performance, with an indirect effect coefficient of 0.092, T-statistic of 2.134, and p-value of 0.033. Therefore, H6 is supported. This result indicates that financial literacy improves accounting performance when financial knowledge is transformed into competitive actions, such as efficient resource allocation, better pricing decisions, risk control, and improved cash flow management. The finding supports [Prakoso \(2020\)](#) and extends the argument by showing that financial literacy not only directly reflects managerial competence, but also operates through competitive advantage as a strategic mechanism.

Furthermore, competitive advantage mediates the relationship between digital accounting literacy and business accounting performance, with an indirect effect coefficient of 0.102, T-statistic of 3.456, and p-value of 0.001. Thus, H7 is supported. This result indicates that digital accounting literacy contributes to business accounting performance when technological capability is transformed into a competitive advantage. The finding is consistent with [Kolil et al. \(2026\)](#), [Rashid & Abdullah \(2026\)](#), and [Yuliantari](#)

& Pramuki (2022), who emphasize the strategic role of digital capability in improving MSME competitiveness and performance.

The significant mediated effect of digital accounting literacy can be explained by its immediate operational impact. While SAK EMKM improves reporting credibility and financial literacy strengthens managerial understanding, digital accounting literacy directly improves daily financial recording, transaction monitoring, data accuracy, and decision speed. These improvements allow MSMEs to respond more quickly to changes in sales, costs, inventory, and customer demand. In Bali's MSME environment, where many businesses operate in tourism-related and highly competitive sectors, the ability to access timely financial information becomes a practical source of competitive advantage. Therefore, digital accounting literacy serves not only as a technical skill but also as a strategic capability that links financial governance with business responsiveness.

### **Theoretical and Practical Implications**

Theoretically, this study strengthens the RBV by showing that MSME accounting performance is shaped by the integration of organizational, human, and technological capabilities. SAK EMKM implementation represents organizational capability, financial literacy represents human capital, and digital accounting literacy represents technological capability. These three resources contribute to competitive advantage, which subsequently improves business accounting performance. The findings, therefore, extend RBV in the MSME context by demonstrating that internal resources do not automatically generate superior performance; they must first be organized and transformed into competitive advantage.

Practically, the findings suggest that MSME development programs should integrate accounting standard compliance, financial literacy improvement, and digital accounting adoption. MSME owners need to use SAK EMKM not only for reporting compliance but also for strategic financial control. They also need to strengthen financial literacy to improve pricing, investment, debt, and cash flow decisions. Digital accounting literacy should also be prioritized because it provides a significant mediated contribution to accounting performance by supporting faster recording, more accurate financial information, and more responsive decision-making. For government institutions, universities, and accounting associations in Bali, the results imply the need for integrated training and mentoring programs that combine SAK EMKM-based reporting, financial management, and digital accounting tools. Such programs can strengthen MSME competitiveness, improve access to financing, and support sustainable business accounting performance.

### **CONCLUSION**

This study examines the effect of SAK EMKM implementation, financial literacy, and digital accounting literacy on business accounting performance with competitive advantage as a mediating variable among MSMEs in Bali. The findings indicate that all three internal capabilities significantly contribute to strengthening competitive advantage, which in turn has a positive impact on MSME accounting performance. This confirms that competitive advantage plays a central role as a mechanism that transforms internal resources into improved financial outcomes.

Digital accounting literacy also plays an important role in improving business accounting performance when it is transformed into a competitive advantage. This finding highlights that digital capability is a critical driver in enhancing operational efficiency, data accuracy, and responsiveness among MSMEs in a competitive and tourism-based economy such as Bali.

From a theoretical perspective, these results reinforce the RBV by demonstrating that SAK EMKM implementation, financial literacy, and digital accounting literacy function as strategic intangible resources that must be integrated and transformed into a competitive advantage to generate superior performance. Competitive advantage, therefore, acts as the key explanatory mechanism linking internal capabilities and business outcomes.

Practically, this study suggests that MSME actors in Bali need to accelerate the adoption of digital accounting systems while strengthening financial literacy and compliance with accounting standards to improve competitiveness and financial sustainability. For policymakers, universities, and professional accounting associations, the findings emphasize the importance of integrated programs that combine accounting education, financial literacy training, and digital transformation support to strengthen MSME resilience and bankability in Bali.

#### **LIMITATION**

This study is limited to MSMEs in Bali and uses cross-sectional survey data, so the findings should be interpreted within this regional and methodological context. Future studies may compare MSMEs across provinces, include longitudinal data, or examine additional variables such as digital infrastructure, owner experience, innovation capability, and access to financing.

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#### **DECLARATION OF CONFLICTING INTERESTS**

The authors of this article state that there are no known potential conflicts of interest in the implementation and preparation of this research.

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