



APPLICATION OF ACCOUNTING INFORMATION IN INFLUENCING THE FINANCIAL PERFORMANCE OF MICRO, SMALL, AND MEDIUM ENTERPRISES WITH FINANCIAL LITERACY AS A MODERATOR VARIABLE

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Abstract: The low utilization of accounting information by MSEs actors in managing and controlling business finances has resulted in suboptimal financial performance of MSEs. The objective of this study is to analyze the effect of the application of accounting information on the financial performance of MSEs with financial literacy as a moderator variable. The proper application of accounting information is expected to enhance the financial performance of MSEs, considering the importance of accounting information in making more accurate business decisions. Data were collected through questionnaires distributed to MSEs actors, with a purposive sampling method. The analytical technique applied is moderating regression analysis to test the relationship between the research variables. The results show that the application of accounting information has a positive and significant effect on the financial performance of MSEs. In addition, financial literacy is proven to moderate this relationship by strengthening the influence of accounting information on financial performance.

Keywords: Accounting Information; Financial Performance; Financial Literacy

Abstrak: Rendahnya pemanfaatan informasi akuntansi oleh pelaku UMK dalam mengelola dan mengontrol keuangan usaha, yang berdampak pada kurang optimalnya kinerja keuangan UMK. Tujuan penelitian menganalisis pengaruh penerapan informasi akuntansi terhadap kinerja keuangan UMK dengan literasi keuangan sebagai variabel moderator. Penerapan informasi akuntansi yang baik diharapkan mampu meningkatkan kinerja keuangan UMK, mengingat pentingnya informasi akuntansi dalam pengambilan keputusan bisnis yang lebih tepat. Data dihimpun melalui kuesioner yang disebarakan kepada pelaku UMK, sampel yang dipilih ialah purposive sampling. Teknik analisis yang diterapkan ialah analisis regresi moderasi untuk menguji hubungan diantara variabel-variabel penelitian. Hasil penelitian menunjukkan bahwa penerapan informasi akuntansi berpengaruh positif dan signifikan terhadap kinerja keuangan UMK. Selain itu, literasi keuangan terbukti memoderasi hubungan tersebut dengan memperkuat pengaruh informasi akuntansi terhadap kinerja keuangan.

Kata Kunci: Informasi Akuntansi; Kinerja Keuangan; Literasi Keuangan

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Introduction

Micro and Small Enterprises (MSEs) are important in the Indonesian economy. This role includes the provision of jobs so that it can increase people's income. MSEs are often referred to as a form of the people's economy because they are the community's main income source.¹ Many people make MSEs a solution to various social and economic problems they face.² In the national economy, MSEs make a great contribution, not only by increasing income but also by reducing the unemployment rate through job creation, especially for people with a low level of education.³ Accounting information is financial data or reports resulting from the process of recording financial transactions, aiming to provide an overview of the company's financial condition.⁴ In MSEs, the application of accounting information is still often ignored. According to Suaryana's research, only about 32% of MSEs in Indonesia have implemented a simple accounting system in their financial records.⁵

Research shows that MSEs that apply accounting information regularly are able to increase operational cost efficiency by 25% and increase profits by an average of 18% per year compared to MSEs that do not apply accounting information.⁶ Although MSEs have many advantages, they face many challenges in practice; in fact, the low level of productivity results in declining financial performance.⁷ Factors contributing to this condition include the lack of quality of human resources, especially related to the use of accounting information systems. For MSE actors, mastering the information system, including recording financial transactions, is very important. With good recording, business actors can distinguish income and expenses and separate business capital from personal money.⁸

Performance is one of the indicators used to assess the success of a business. State that the performance of MSEs reflects the results obtained by MSEs by their roles and responsibilities. These results are achieved within a certain period and are measured based on certain criteria. In general, financial performance is often used as a reference to assess

¹ Yosi Delmy Acha Br Sinulingga, Audrey M. Siahaan, And Danri Toni Siboro, "The Influence Of Accounting Information Systems On Micro And Small Enterprises (MSEs) Performance In Kabanjahe District," *ACADEMIC: Economics & Business Student Journal* 4, no. 1 (2024).

² Yoga Affandi, Masagus M. Ridhwan, Irwan Trinugroho, And Danny Hermawan Adiwibowo, "Digital Adoption, Business Performance, And Financial Literacy In Indonesia's Ultra-Micro, Micro, And Small Enterprises," *Research In International Business And Finance* 70, no. June (2024); Enny Puji Lestari, Agus Alimuddin, Jeni Syahpira, And Rubianti Novita Irma Wati, "The Effectiveness Of Using Digital Technology (QRIS) In The Payment System For The Development Of MSMEs Of Metro City," *Al-Iqtishadiyah : Ekonomi Syariah Dan Hukum Ekonomi Syariah* 10, no. 2 (2024).

³ Lismawati, Ali Hardana, Tri Wahyu Utami, And Nur Mutiah, "Kontribusi Data Akuntansi Biaya Terhadap Peningkatan Nilai Perusahaan Dan Tanggung Jawab Pemangku Kepentingan Pada Perusahaan Manufaktur Semen Indonesia," *Etihad: Journal Of Islamic Banking And Finance* 3, no. 1 (2023).

⁴ Replita, Nursyirwan Effendi, Taufika Ophiyandri, Alfian Miko, And Ali Hardana, "Pengembangan Julio-Julio Dalam Meningkatkan Ekonomi Pedagang Pasar Sangkumpul Bonang Kota Padangsidempuan," *Jurnal Masharif Al-Syariah: Jurnal Ekonomi Dan Perbankan Syariah* 10, no. 2 (2025).

⁵ R. Daniel Eka Prasetya Antawirya, I Gusti Ayu Made Dwija Putri, I Gde Ary Wirajaya, I Gusti Ngurah Agung Suaryana, And Herkulanus Bambang Suprasto, "Application Of Fraud Pentagon In Detecting Financial Statement Fraud," *International Research Journal Of Management, IT And Social Sciences* 6, no. 5 (2019).

⁶ Wayan Tantra, Ni Kadek Aprilia Pradnyani, Wiryawan Saputra Gumi, And Anak Agung Ngurah Gde Suindrawan, "Perbandingan Prediksi Kesulitan Finansial Model Altman, Ohlson, Dan Zmijewski," *Prosiding* (2023).

⁷ Irmawati, et al, *Akuntansi Keuangan Tingkat Menengah*, (Jawa Tengah: Eureka Media Aksara, 2022).

the health of a business. This subjective measurement tool reflects how effectively a company utilises its assets to increase revenue.⁹ Accounting information has an important role in helping businesses, including MSEs, in the process of making business decisions, financial control, and future business planning. In practice, accounting information is the result of the process of recording, classifying, and reporting on all business financial activities. Its main function is to provide accurate, relevant, and reliable financial data as a basis for evaluating the overall condition of the business.¹⁰

However, social facts show that most MSE actors in Indonesia, including in North Sumatra, still have a low level of utilization of accounting information. This occurs due to several main factors, such as limited understanding of accounting, low levels of formal education of MSE actors, and the assumption that financial records are not a priority in running a business.¹¹ This phenomenon is reinforced by data from the Central Statistics Agency which states that more than 60% of MSEs in Indonesia still manage finances traditionally and manually, even most of them only rely on memory without recording transactions in writing. This condition is in line with the results of a survey conducted by Bank Indonesia, which found that only around 30% of MSEs in North Sumatra have simple financial records, while the rest still mix personal finances with business finances.

Financial performance is defined as an achievement or achievement shown. Various indicators can be used to assess the performance of micro and small businesses, including total sales, profits, business wealth, the value of family assets, credit, family costs, and the amount of savings owned.¹² Furthermore, The financial performance of MSEs provides an overview of the results obtained by business actors over a certain period, reflecting their business's health.¹³

Financial performance in this study is an effort made by MSE actors in North Sumatra to assess their success in generating profits. Its resources can provide an overview of prospects, growth, and opportunities for business development. Information systems combine information technology and human activities that use these technologies to support company operations and management. The term refers to the relationship between individuals, algorithmic processes, data, and the technology used in a system. An accounting information system comprises a set of resources, including personnel and tools, to transform financial and other data into meaningful information for sharing with stakeholders in the decision-making process.¹⁴

⁹ Dinar Wahyudiati And Isroah, "The Effect Of Financial Aspect And Human Resource Competence On MSME Performance In Kasongan Village," *Profita Journal: A Review Of Accounting Science* 6, no. 2 (2018).

¹⁰ Aswadi Lubis, Ali Hardana, And Muhammad Isa, "Kesejahteraan Masyarakat Akibat Aktivitas Ekonomi Terhadap Di Kawasan Kalangan Kabupaten Tapanuli Tengah," *Jurnal Masbarif Al-Syariah: Jurnal Ekonomi Dan Perbankan Syariah* 10, no. 2 (2025).

¹¹ Ali Hardana, Replita, Arti Damisa, And Jafar Nasution, "The Effect Of Advertising And Sales Promotion On Television On Brand Awareness Bukalapak On Visitors To Padangsidempuan City," *Journal Of Management Science (JMAS)* 8, no. 1 (2025).

¹² Dewi Hanggraeni And Timothy Sinamo, "Quality Of Entrepreneurship And Micro-, Small And Medium-Sized Enterprises (MSMEs) Financial Performance In Indonesia," *The Journal Of Asian Finance, Economics And Business* 8, no. 4 (2021).

¹³ Riadi, "The Influence Of Accounting Information Systems On Financial Performance In Small And Medium Enterprises," *Journal Of Accounting Pearls* 7, no. 1 (2022).

¹⁴ Ruhul Fitrius, "Factors That Influence Accounting Information System Implementation And

This indicates a gap between theory and practice in the financial management of MSEs. The low application of accounting information has a serious impact on the financial performance of MSEs, such as weak cost control, inability to manage cash flow, and low business profitability. This is similar to the research that investigates the Accounting Practices of SMEs in Zimbabwe: An Investigative Study on Record Keeping for Performance Measurement. The Accounting and Tax Journal focuses on the weak record keeping and financial reporting of SMEs that affects business performance.¹⁵ Research conducted found that MSEs that have neat financial report records experience an average annual profit growth of 15%-20%, while MSEs that do not have financial reports only grow at 3%-7% per year.¹⁶ These results are in line with the findings who emphasized that the use of accounting information can increase business operational efficiency by 25% and improve business liquidity conditions by 30%.¹⁷

The main theory regarding the use of accounting information systems is the needs theory introduced by Maslow, Alderfer, Herzberg, and McClelland, which states that the impact of these actions influences a person's behaviour. From a managerial point of view, this theory will impact when one realises the benefits or positive impact of providing accounting information in the decision-making process.¹⁸ The motivation of an MSE actor to provide accounting information is also influenced by how much benefit is felt from the information. The greater the use of accounting information, the greater the incentive for business owners to provide more complete and in-depth information. The level of use of accounting information will continue to increase along with a person's understanding of their needs and by recognising personal characteristics that can affect the decision-making process.¹⁹

Business actors who consistently apply accounting information, starting from the planning process, setting goals, and implementing a cost system, will be more appropriate in making decisions related to their business's progress. However, MSE actors in information systems still use traditional approaches compared to large companies.²⁰ For this reason, it is necessary to continuously increase the understanding of MSE actors regarding the use of accounting information through various trainings organised by local

Accounting Information Quality," *Article In International Journal Of Scientific & Technology Research* 5, no. April (2019)

¹⁵ Nelson Maseko And Onias Manyani, "Accounting Practices Of SMEs In Zimbabwe: An Investigative Study Of Record Keeping For Performance Measurement (A Case Study Of Bindura)," *Journal Of Accounting And Taxation* 3, no. 8 (2011).

¹⁶ Naufal A. H. Putra, Edwar, Wahyudi Hasbi, Muhammad P. Manggala, Daffa U. Kusmara, Wiwit M. Putri, Raihan Triyogi, And Muhammad P. Wirakusuma, "Design Of Cubesat Microstrip Antenna With Metamaterial Structure For Lora Communication," *2021 IEEE International Conference On Aerospace Electronics And Remote Sensing Technology (ICARES)*, (2021).

¹⁷ M. Hamdani Santoso, *Laporan Kerja Praktek Sistem Informasi Penerimaan Mahasiswa Baru Berbasis Web Pada SMA Swasta Persatuan Amal Bakti (PAB) 8 Saentis*, (Medan: Universitas Medan Area, 2021).

¹⁸ Tonatuih Najera Ruiz And Pablo Collazzo, "Management Accounting Is Used In Micro And Small Enterprises," *Qualitative Research In Accounting & Management* 18, no. 1 (2021).

¹⁹ Frances Boyle And Damien Sherman, "Scopus™: The Product And Its Development," *The Serials Librarian* 49, no. 3 (2006).

²⁰ Ali Hardana, "Pondok Pesantren's Transformational Leadership Analysis Of The Financial Reporting Company's Accountability," *Studi Akuntansi, Keuangan, Dan Manajemen* 4, no. 1 (2024).

governments or community institutions concerned with handling MSE problems, especially in North Sumatra.

The increasingly rapid and complex growth of the financial services industry has changed the financial market dynamics. For this reason, individuals need to have a basic understanding of finance, especially related to the key aspects of financial security in the current era. This knowledge is a fundamental need for every MSE actor to use various financial instruments and products effectively to make the right decisions for their welfare. Financial literacy is important in helping individuals make better financial decisions and maximising their potential profits. The development of digital technology has brought about significant changes in the financial sector, creating a major change in how the industry operates. This revolution is driven by innovation in technology-based business models, especially in improving customer service.²¹ The primary advantage of financial technology lies in its innovative approach and capacity to provide more adaptable financial services than conventional methods. Initially, the rivalry between banks and fintech companies has evolved into a collaborative relationship. Innovation in financial technology includes; First, support for various platforms, including smartphones, tablets, PCs, laptops, and smartwatches; Second, cloud technology that facilitates decentralized data storage, allowing access to financial services without the need for a physical location; Third, the implementation of cryptocurrency, which enables global transactions with reduced intermediaries and increased transparency; Fourth, mobile payment solutions that emphasize security, efficiency, and convenience in managing finances.²²

Financial literacy in this study is the ability of MSE actors to understand, manage, and utilise financial information effectively in running their businesses. Financial literacy includes understanding basic financial concepts ranging from cash flow recording, debt management, budget planning, and investment. For MSE actors, this literacy is very important to make the right financial decisions, optimise financial resources, and improve business performance. With good financial literacy, MSEs can separate their personal and business money, identify development opportunities, and access formal financing sources, ultimately increasing their businesses' sustainability and competitiveness in the local and global markets.

Understanding accounting must be a concern for MSE actors in North Sumatra so that their business financial management can be implemented properly. However, based on a survey conducted by the Sumatra Cooperatives and MSEs Office in 2023, there are around 60% of MSE actors who have not implemented systematic financial records, thus making it difficult for MSE actors to monitor cash flow and manage assets and debts correctly, which ultimately has an impact on suboptimal financial performance. Accounting information is a tool for planning, monitoring, controlling, and evaluating MSE financial activities to increase competitiveness and business continuity.²³ However, the effective application of accounting

²¹ M. Elfan Kaukab, Nur Setya Handayani, And Wiji Yuwono, "The Use Of Accounting Information For MSME Actors," *Journal Of Education, Social Sciences, And Religion* 6, no. 2 (2020): 28.

²² Emilio Abad-Segura, Mariana-Daniela González-Zamar, Eloy López-Meneses, And Esteban Vázquez-Cano, "Financial Technology: Review Of Trends, Approaches And Management," *Mathematics* 8, no. 6 (2020).

²³ Iramani, Abu Amat Fauzi, Dewi Ayu Wulandari, And Lutfi, "Financial Literacy And Business

information must be distinct from the level of financial literacy of MSE actors.²⁴ Financial literacy among North Sumatra MSE actors is still low, so many need to understand the basic principles of financial management. According to Bank Indonesia survey data in 2022, only 35% of MSE actors in North Sumatra have adequate financial literacy, so many economic problems are faced, including poor debt management and lack of diversification of funding sources.

Financial literacy reflects how a business actor understands basic economic concepts, such as cash management, debt management, and investment, to improve their ability to make the right decisions.²⁵ In this study, financial literacy is used as a variable that strengthens or weakens the relationship between the application of accounting information and the economic performance of Micro and Small Enterprises. The obstacles faced by MSE actors in North Sumatra in financial management include a low understanding of financial recording and reporting by accounting standards. In addition, many MSE actors lack good financial literacy, so decision-making is often intuitive and not supported by valid data.²⁶

This research intends to explore how accounting information impacts the financial performance of SMEs in North Sumatra, considering financial literacy as a moderating factor. Examining the relationship between these two elements aims to uncover effective strategies for enhancing financial literacy and promoting the effective use of accounting information among MSE operators, ultimately leading to improved economic performance for these enterprises.

Methods

This study uses a quantitative approach with a survey method to analyse the influence of the application of accounting information on the financial performance of SMEs in North Sumatra, as well as the role of financial literacy as a moderator variable. This method was chosen to obtain measurable and statistically analysable data to test the hypothesis. The research population of all MSEs registered in North Sumatra. Based on the calculation of the Slovin formula with an error rate of 5%, the sample taken is 250 MSEs.

The sampling technique was chosen using purposive sampling, with the following criteria; First, MSEs that have been operating for at least three years; Second, MSEs that have financial records; Third, MSEs that are registered with the Cooperatives and MSE Office of North Sumatra. Primary data was collected through a questionnaire distributed to MSE actors using a Likert scale. The questionnaire is designed to measure three variables: the application of accounting information, MSE financial performance and financial literacy. The data was analysed using SmartPLS software for Partial Least Square Structural Modelling.

Performance Improvement Of Micro, Small, And Medium-Sized Enterprises In East Java Province, Indonesia," *International Journal Of Education Economics And Development* 9, no. 4 (2018): 303.

²⁴ A. Rohman, Sunarti, And I. Kustiwi, Accounting Information Systems And Their Impact On Improving The Performance Of MSME Services In Indonesia. *Journal Of Management And Accounting*, 1, no. 2 (2023): 347.

²⁵ Annamaria Lusardi, Olivia S. Mitchell, And Vilsa Curto, "Financial Literacy And Financial Sophistication In The Older Population *Journal Of Pension Economics & Finance*, 13, no. 4 (2014): 347.

²⁶ Budi Gautama Siregar And Aswadi Lubis, "Determinants Of Financial Performance Of MSMEs In Indonesia Through Payment Gateway," *IQTISHODUNA: Jurnal Ekonomi Islam* 13, no. 1 (2024): 397.

The reason is that PLS-SEM can process models with many latent variables and indicators and effectively test the moderation effect. The data analysis process was carried out to test the validity and reliability using convergent validity and discriminate validity and evaluate measurement models and moderation tests.

Result And Discussion

The validity test was carried out by looking at the conditions in the loading factor, which is 0.7 and the Average Variance Extracted (AVE) value, which must be more than 0.5.

Table 1. Validity Test Results

Variable	Indicator	Loading Factor	Information
Application of Accounting Information	PIA-1	0,900	Valid
	PIA-2	0,957	Valid
	PIA-3	0,919	Valid
	PIA-4	0,932	Valid
	PIA-5	0,931	Valid
MSE Financial Performance	KK-1	0,778	Valid
	KK-2	0,812	Valid
	KK-3	0,886	Valid
	KK-4	0,777	Valid
	KK-5	0,725	Valid
Financial Literacy	LK-1	0,852	Valid
	LK-2	0,746	Valid
	LK-3	0,898	Valid
	LK-4	0,747	Valid
	LK-5	0,766	Valid
	LK-6	0,832	Valid
	LK-7	0,788	Valid
	LK-8	0,719	Valid

Source: Research Data Processing Results, 2024

Table 1 shows that the validity test of all indicators in each research variable meets the requirements of convergent validity, so it can be declared valid. Meanwhile, the results of AVE are shown:

Table 2. Average Variance Extracted

Variable	AVE Scores	Conclusion
Application of Accounting Information	0,695	Valid
MSE Financial Performance	0,742	Valid
Financial Literacy	0,824	Valid

Source: Research Data Processing Results, 2024

The results of the Average Variance Extracted (AVE) test in Table 2 show that all indicators have met the convergence validity requirements, so the model used in this study can be declared valid.

The reliability test is done by looking at the results of Cronbach's alpha with the condition that if the value of Cronbach's alpha is above 0.70, then the data is declared reliable.

Table 3. Reliability Test Results

Variable	cronbach's alpha	Conclusion
Application of Accounting Information	0,924	Reliable
MSE Financial Performance	0,756	Reliable
Financial Literacy	0,921	Reliable

Source: Research Data Processing Results, 2024

Table 3 shows that Cronbach's alpha value of the research variable is above 0.5, so it can be declared reliable, and the model measurement process can be continued.

The hypothesis test was carried out by looking at the results of the path coefficient through bootstrapping analysis.

Table 4. Path Coefficient

	Original sample (O)	T statistics (O/STDEV)	P values
PIA -> KKU	0,224	3,181	0,001
LK * PIA -> KKU	0,156	1,976	0,032

Source: Research Data Processing Results, 2024

Examining the path coefficients presented in Table 4 reveals that the use of accounting information directly affects financial performance, indicated by a coefficient of 0.224, a t-statistic of 3.181, and a p-value of 0.001. These results demonstrate that the effect of accounting information application on the financial performance of SMEs in North Sumatra is significant, as the p-value is below the 0.05 threshold. Therefore, the first hypothesis, which posits that the application of accounting information positively and significantly influences financial performance, is supported.

The moderation analysis revealed a positive correlation coefficient of 0.156, with a t-statistic of 1.976, surpassing the critical threshold of 1.96, and a p-value of 0.032. These results suggest that financial literacy significantly enhances the effect of accounting information on the financial performance of MSEs. Therefore, the second hypothesis, which proposes that financial literacy moderates the positive relationship between the use of accounting information and the financial performance of SMEs in North Sumatra, is supported. In other words, the higher the financial literacy of North Sumatra MSE actors, the more effective they are in applying accounting information that improves their financial performance.

Application Of Accounting Information To MSEs Financial Performance

The findings of this study state that the application of accounting information has a positive and significant effect on the financial performance of MSEs in North Sumatra Province. These findings align with managerial accounting theory, emphasising that accurate and relevant accounting information allows MSEs managers to make better decisions.²⁷ Shows that using financial statements can help MSEs plan their business resources more efficiently. The findings of this study strengthen the argument that the application of accounting information has a positive and significant influence on the financial performance of MSEs in North Sumatra Province. This is in line with managerial accounting theory which asserts that accurate, relevant, and timely accounting information is essential in supporting the managerial decision-making process, especially in the context of managing business resources.²⁸

Previous research found that SMEs with adequate financial recording and reporting systems show better business performance compared to SMEs that do not implement optimal accounting practices. Accounting information allows SMEs to plan resource utilization more efficiently, identify potential financial risks, and evaluate business profitability. Furthermore, it indicates that SMEs implementing accounting information are likely to experience an increase in profitability. This information will help them identify and reduce unnecessary costs to enhance profit margins. Applying accounting information can also increase financial transparency and the trust of other parties in their business, including financial institutions and investors. A study conducted MSEs that are more transparent in their business financial management are more likely to have access to much-needed financing for business development in North Sumatra.²⁹

²⁷ Yosi Delmy Acha Br Sinulingga, Audrey M. Siahaan, And Danri Toni Siboro, "The Influence Of Accounting Information.

²⁸ Joice Denise Schäfer, Sergio Murilo Petri, Valdirene Gasparetto, And Lucas Dos Santos Mattos, "Transfer Pricing: A Bibliometric Analysis Of The International Literature," *Sao Paulo* 10, no. 3 (2015).

²⁹ Maria Entina Puspita And Joko Pramono, "Factors Affecting The Use Of Accounting Information In Small And Medium Enterprises (SMEs): A Study On SMEs In Tingkir, Salatiga," *The Indonesian Accounting Review* 9, no. 2 (2019): 207.

Financial Literacy Moderates The Positive Influence Of The Application Of Accounting Information On The Financial Performance Of MSEs

This study found that financial literacy plays a significant role in strengthening the impact of applying accounting information on the financial performance of North Sumatra MSEs. Financial literacy is crucial in supporting MSE actors in making wiser financial decisions and optimising the potential profits that can be achieved. A good understanding of financial concepts allows an individual to use accounting information more effectively. High financial literacy can improve the ability of MSE managers to analyse financial statements, which can contribute to better decision-making.³⁰ Research stating that the low level of financial literacy is one of the main hindering factors in the management of small businesses in South Africa. It points out that the limited understanding of business actors about basic financial principles causes the accounting information they possess to often not be used optimally in the managerial process.³¹

This is consistent with research stating that the low financial literacy among MSMEs results in the ineffective use of financial reports as a tool for planning and evaluating business performance.³² Meanwhile, research specifically confirms that financial literacy plays a strategic role in strengthening the use of accounting information by business actors. A good understanding of financial concepts enables SMEs to assess their business performance more objectively and design resource management strategies more efficiently.³³ A study conducted that MSEs with a high level of financial literacy can better use accounting information to formulate the right business strategy. This shows that financial literacy strengthens the positive impact of accounting information on financial performance.³⁴ Financial literacy also helps MSEs identify and manage financial risks. MSEs that understand financial statements can better anticipate financial problems, which will support stability and better performance.

A high literacy level can also increase MSEs' access to financing, Financial institutions tend to trust MSEs who understand accounting information well, which opens up funding opportunities for business growth and development.³⁵ Thus, financial literacy functions as a booster that maximises the benefits of applying accounting information and positively impacts the financial performance of SMEs in North Sumatra.

³⁰ Sahil Singla And Soheil Feizi, "Salient Imagenet: How To Discover Spurious Features In Deep Learning?," *International Conference On Learning Representations*, (2022).

³¹ Olawale Fatoki, "The Causes Of The Failure Of New Small And Medium Enterprises In South Africa," *Mediterranean Journal Of Social Sciences* 5, no. 20 (2014): 922.

³² C. Xu And F. W. Wise, "Recent Advances In Fibre Lasers For Nonlinear Microscopy," *Nature Photonics* 7, no. 11 (2013): 875.

³³ Sahil Singla And Soheil Feizi, "Salient Imagenet: How.

³⁴ Replita, Ali Hardana, Nursyirwan Effendi, Taufika Ophiyandri, And Alfian Miko, "Pengaruh Modal Insani Dan Modal Sosial Terhadap Kinerja UKM Kota Padangsidempuan," *EKOMA: Jurnal Ekonomi, Manajemen, Akuntansi* 4, no.2 (2025): 3425.

³⁵ Nyoman Trisna Herawati, Putu Sukma Kurniawan, Edy Sujana, Putu Eka Dianita Marvialianti Dewi, And Luh Gede Kusuma Dewi, "The Use Of Financial Technology In The Financial Management Of Micro And Small Enterprises," *CARADDE: Journal Of Community Service* 2, no. 2 (2020): 179.

Conclusion

This research demonstrates that the use of accounting information substantially influences the financial performance of MSEs in North Sumatra. Furthermore, financial literacy acts as a moderating factor, amplifying the connection between accounting information application and financial performance. As a result, greater financial literacy leads to a stronger positive effect of accounting information on financial outcomes. MSEs in North Sumatra Province are advised to increase their understanding of accounting information through training, workshops, and other activities. This is important so MSE managers can use this accounting information for better decision-making. Researchers can then examine other moderation variables that can affect the relationship between the application of accounting information and financial performance, such as the use of digital technology and democratic factors of business owners.

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Author Contributions Statement

BS contributed as the originator of the idea and the primary author of this manuscript. AL structured the manuscript, established fundamental theories, analyzed data, and discussed research findings. ZZ contributed as a collaborator by sharing ideas, engaging in discussions, and assisting in locating references. Additionally, AL and ZZ served as reviewers, enhancing and refining the manuscript.

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