

The Effect of Digital Accounting and Financial Literacy Implementation on the Quality of MSME Financial Reports: The Moderating Role of Technology Readiness in MSMEs in Makassar City

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ABSTRACT

This study aims to analyze the effect of digital accounting and financial literacy implementation on the quality of MSME financial reports, with technological readiness as a moderating variable in MSMEs in Makassar City. Accounting digitalization and strengthening financial literacy are strategic needs for MSMEs to improve reporting quality, especially in the era of digital transformation. This study used a quantitative approach with a saturated sampling technique of 88 respondents. Data testing was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) through the SmartPLS 4 application. The results showed that the implementation of digital accounting and financial literacy had a positive and significant effect on the quality of MSME financial reports. In addition, technological readiness was proven to moderate the effect of digital accounting and financial literacy implementation on the quality of financial reports. These findings have important implications for the development of MSME digital capacity, particularly in improving the ability to report financial accurately, timely, and in accordance with accounting standards. This study is expected to serve as a reference for local governments, training institutions, and other stakeholders in formulating policies to strengthen MSME digital competence and financial literacy

INTRODUCTION

The development of digital technology over the past decade has brought significant changes to various aspects of economic activity, including the way businesses manage accounting and financial reporting processes. Digital transformation has not only affected large-scale companies but has also reached the micro, small, and medium enterprises (MSMEs) sector, the backbone of the Indonesian economy. In Makassar City, digitalization has become an urgent need for MSMEs to improve operational efficiency and business competitiveness. In this context, digital-based accounting technology is seen as a strategic solution that can improve the quality of financial recording and reporting, making it more accurate, faster, and transparent. However, despite the convenience offered by digital technology, not all MSMEs are able to optimally adopt it. Various challenges remain, such as limited technical capabilities, a lack of understanding of digital systems, and minimal investment in supporting devices. These challenges demonstrate that the success of digitalization depends not only on the availability of technology but also on the level of readiness of MSMEs to utilize it. This situation is exacerbated by the fact that some MSMEs in Makassar City still rely on manual recording, which is prone to errors and difficult to verify, resulting in less reliable financial reporting.

The implementation of digital accounting is a strategic step to improve the quality of MSME financial reporting. Application- and software-based recording systems enable accounting processes to be automated, in real time, and well-documented. According to the Technology Acceptance Model framework (Davis, 1989), a technology is effective when users perceive its benefits and ease of use. By implementing digital accounting, MSMEs have the potential to reduce human error, accelerate report preparation, and improve the accuracy of financial data. This can strengthen business credibility while assisting MSME owners in making business decisions. Furthermore, financial literacy is a crucial element that is inseparable from the effectiveness of MSME financial reporting. Financial literacy includes the ability to understand financial statements, manage cash flow, analyze financial information, and make wise decisions. (Berger & Frey, 2016) emphasize that financial literacy plays a fundamental role in creating healthy financial behavior. Without adequate literacy, MSME owners tend to experience difficulty interpreting the information generated by digital accounting systems. Therefore, good financial literacy is an important prerequisite for producing quality financial reports.

Furthermore, the success of digital accounting implementation and the utilization of financial literacy is also influenced by technological readiness. (Parasuraman, 2000) through the concept of the Technology Readiness Index explains that technological readiness reflects the extent to which individuals and organizations have confidence, technical capabilities, infrastructure, and positive attitudes toward the use of new technologies. MSMEs with a higher level of technological readiness tend to be able to adopt digital technology more effectively, resulting in a greater impact on the quality of financial reports. Conversely, low technological readiness can hinder the implementation of digital accounting even though the technology is available. Based on this background, this study was conducted to empirically analyze the effect of digital accounting

implementation and financial literacy on the quality of MSME financial reports in Makassar City, and examine the moderating role of technological readiness in this relationship. This study is expected to provide theoretical contributions in enriching the literature on MSME digitalization and financial reporting, as well as provide practical contributions for MSME owners, local governments, and MSME support institutions in designing strategies to increase the digital and financial capacity of business actors.

LITERATURE REVIEW

A. Implementation of Digital Accounting and Quality of Financial Reports

The implementation of digital accounting refers to the use of software, system automation, and digital updating of financial data. According to Davis (1989), within the Technology Acceptance Model (TAM), technology will improve performance if it is perceived as useful and easy to use. (Nurabadi et al., 2022) show that digital accounting can improve the accuracy and timeliness of MSME reports. Therefore, the implementation of digital accounting is predicted to improve the quality of financial reports.

B. Financial Literacy and Financial Report Quality

Financial literacy is the ability to understand, manage, and use financial information in decision-making. (Huston, 2010) and (Berger & Frey, 2016) state that financial literacy influences appropriate financial behavior. Research (Restike et al., 2024) and (Lusardi & Mitchell, 2014) show that financial literacy plays a role in producing better financial reports.

C. Technology Readiness as a Moderating Variable

Technological readiness describes attitudes, technical capabilities, infrastructure, and innovation in using new technologies (Parasuraman, 2000). In the context of MSMEs, technological readiness strengthens the effectiveness of digital accounting and financial literacy. (Nugraha et al., 2023) found that readiness increases the effectiveness of digital system implementation. Thus, technological readiness has the potential to strengthen the relationship between X1 and Y and X2 and Y.

D. Hypothesis

Theoretical studies and previous research indicate that digitalization of accounting systems, strengthening financial literacy, and technological readiness are three important pillars influencing the quality of MSME financial reporting in the era of digital transformation. The implementation of software-based digital accounting and process automation is believed to improve the accuracy and timeliness of reporting, as explained in the Technology Acceptance Model framework (Davis, 1989), which emphasizes that technology that is perceived as useful and easy to operate will have a positive impact on the quality of information output. Furthermore, financial literacy serves as the foundation that enables MSME actors to understand, interpret, and present financial reports correctly, in accordance with the principles of Financial Literacy Theory (Huston, 2010). The results of previous studies such as those by Wardani & Darmawan (2022), (Fitriani et al., 2025), and (Lusardi & Mitchell, 2014) also strengthen the argument that these two factors contribute significantly to the quality of MSME financial reports.

In addition to the direct influence of digital accounting implementation and financial literacy, technological readiness also plays a significant role in strengthening or weakening the effectiveness of both variables. According to the Technology Readiness Index (Parasuraman, 2000), technological readiness encompasses elements of digital infrastructure, technical competence, attitudes toward technological change, and the availability of technical support. A higher level of readiness enables MSMEs to optimize the use of digital accounting technology and the application of financial literacy in reporting practices. Research by Nugraha et al., 2023 and Arifin & Kohar, 2019, shows that technological readiness can strengthen the relationship between internal business capabilities and performance outcomes. Therefore, the synthesis of the theory and empirical findings discussed above provides a logical basis for formulating hypotheses regarding the direct and moderating influences in this study:

1. H1: The implementation of digital accounting has a positive effect on the quality of MSME financial reports.
2. H2: Financial literacy has a positive effect on the quality of MSME financial reports.
3. H3: Technological readiness moderates the effect of digital accounting implementation on the quality of MSME financial reports.
4. H4: Technological readiness moderates the influence of financial literacy on the quality of MSME financial reports.

METHODOLOGY

This study uses a quantitative approach with an explanatory research design. The research population is all MSMEs in Makassar City that have used digital technology in their accounting processes. The sampling technique used is a saturated sample, namely all members of the population, amounting to 88 respondents, were used as research samples. Data were collected using a Likert scale questionnaire 1-5. Data analysis used Partial Least Squares Structural Equation Modeling (PLS-SEM) through SmartPLS 4 software. The models analyzed include the outer model (construct validity and reliability), the inner model (R^2 , F^2 , Q^2 , and path coefficients), and testing for moderation effects.

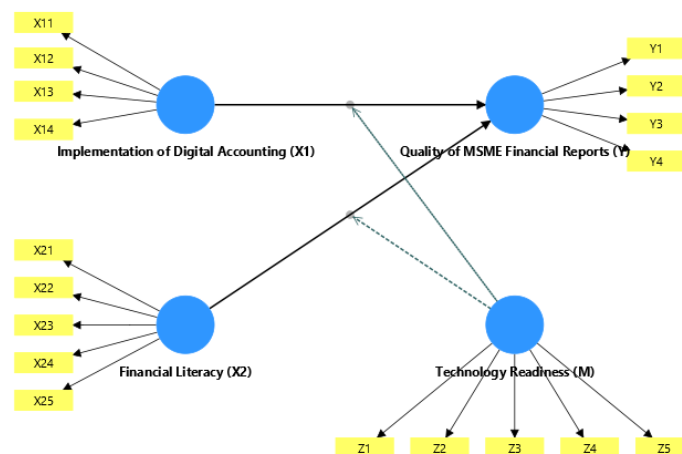


Figure 1. Proposed Study

RESULTS AND DISCUSSION

In this study, model and hypothesis testing were conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) analysis with the help of SmartPLS 4 software. The PLS-SEM approach was chosen because it is able to analyze complex structural relationships, involves latent variables with reflective indicators, and is suitable for a relatively small sample size such as MSMEs in Makassar City. This research model was developed based on a conceptual framework that describes the relationship between the implementation of digital accounting, financial literacy, technological readiness, and the quality of MSME financial reports, as shown in Figure 1. The framework is based on major theories such as the Technology Acceptance Model, Financial Literacy Theory, and Technology Readiness Index, and is supported by various previous empirical findings.

Each variable in the model is represented by a number of indicators that illustrate relevant theoretical concepts, and then tested through outer model analysis to assess construct validity and reliability. After the measurement model meets the eligibility criteria, an inner model analysis is conducted to evaluate the strength of the relationship between variables through the R-square, F-square, Q-square values, and path coefficients obtained through the bootstrapping process. The structural model analyzed using the Partial Least Squares algorithm is shown in Figure 2. This model shows the direction and magnitude of the influence between variables, including the moderating role of technological readiness in strengthening the relationship between the implementation of digital accounting and financial literacy on the quality of MSME financial reports. Thus, this section presents comprehensive empirical test results that form the basis for further discussion regarding the contribution of each variable in improving the quality of MSME financial reporting in Makassar City.

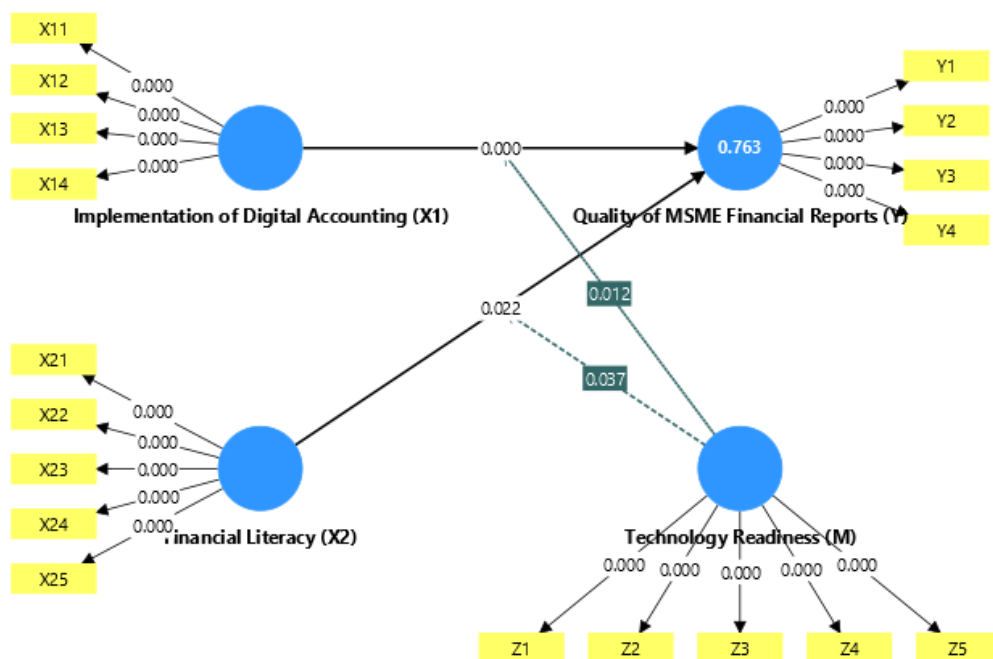


Figure 1. Hasil Hipotesis

Table 1. Outer Loading

Variabel	X1	X2	Y	Z	Z x X1	Z x X2
X11	0,843					
X12	0,837					
X13	0,838					
X14	0,783					
X21		0,835				
X22		0,813				
X23		0,775				
X24		0,765				
X25		0,716				
Y1			0,876			
Y2			0,890			
Y3			0,876			
Y4			0,923			
Z1				0.753		
Z2				0.809		
Z3				0.814		
Z4				0.820		
Z5				0.842		
Z x X1					1,000	
Z x X2						1,000

Source: Processed Data (2025)

The results of the SmartPLS outer loadings test show that all indicators in the research variables meet the convergent validity criteria, with loading values ranging from 0.716 to 0.923, exceeding the minimum limit of 0.70 as recommended by Hair et al. (2021). In the Digital Accounting Implementation variable (X1), indicators for software use, process automation, data updates, and training show a strong contribution (loading 0.783–0.843), indicating that digital implementation in MSME accounting processes is relevant to the Technology Acceptance Model concept (Davis, 1989), especially the aspects of perceived usefulness and ease of use. Furthermore, the Financial Literacy indicator (X2) shows high validity (loading 0.716–0.835), consistent with Financial Literacy Theory (Huston, 2010), which emphasizes the importance of financial knowledge, skills, and behavior in making appropriate economic decisions. This finding is in line with research by (Lusardi & Mitchell, 2014) and (Fitriani et al., 2025) which confirms that strong financial literacy has positive implications for the financial reporting capacity of MSMEs.

The Financial Report Quality variable (Y) exhibits a very high outer loading value (0.876–0.923), indicating that the indicators of accuracy, timeliness, readability, and compliance with accounting standards are very strong representations in explaining this construct. This is consistent with the Accounting Information Quality framework formulated by the IASB (2018), where characteristics such as faithful representation, timeliness, and understandability are the main dimensions of financial information quality. This

empirical finding also supports research by DeFond & Jiambalvo, 1994 , and Wardani and Darmawan (2022), which states that the implementation of digital accounting practices consistently increases the reliability, relevance, and readability of MSME financial reports. Thus, indicators Y1–Y4 are empirically and theoretically proven to be underlying determinants of MSME reporting quality.

The Technology Readiness (Z) variable shows a strong loading value (0.753–0.842), indicating that infrastructure availability, human resource technical capabilities, positive attitudes toward technology, digital adoption, and technical support are important elements in explaining the level of readiness of MSMEs. This condition is in line with the Technology Readiness Index (Parasuraman, 2000) which states that optimism, innovativeness, discomfort, and insecurity influence the readiness of individuals and organizations to adopt new technologies. Furthermore, the existence of an outer loading of 1.000 in the interaction constructs $Z \times X1$ and $Z \times X2$ indicates that the moderation model is formed appropriately according to the product indicator approach in PLS-SEM (Ping, 1995) . This finding is consistent with research by (Nugraha et al., 2023) and (Arifin & Kohar, 2019) , which shows that technology readiness plays a reinforcing factor in the relationship between accounting digitalization, financial literacy, and the quality of MSME financial reports. Overall, the integration between empirical results, main theories (TAM, TRI, Financial Literacy Theory, IASB Framework), and support from previous research confirms that the constructs and indicators in this study have a strong conceptual basis and empirical validity.

Table 2. R-square

Variabel	R-square	R-square adjusted
Y	0,763	0,749

Source: Processed Data (2025)

The test results show that the Financial Report Quality (Y) variable has an R-square value of 0.763 and an adjusted R-square of 0.749. This value illustrates that 76.3% of the variation in the quality of MSME financial reports can be explained by the variables of Digital Accounting Implementation (X1), Financial Literacy (X2), and the moderating influence of Technology Readiness (Z). According to the criteria proposed by Hair et al. (2021), an R-square value above 0.67 is categorized as a strong (substantial) model in PLS-SEM-based research. Thus, this research model has excellent predictive ability, indicating that exogenous constructs make a significant contribution to the formation of financial report quality in MSMEs in Makassar City.

Theoretically, the high R^2 value strengthens the model's relevance to several key theories. First, these results align with the Technology Acceptance Model (Davis, 1989), which explains that the application of digital technology (X1) can improve the quality of financial information output (Y) through the ease and usefulness of technology use. Second, the contribution of financial literacy (X2) to the quality of financial reports reinforces Financial Literacy Theory (Huston, 2010) and the OECD (2016), which emphasize that financial

understanding and skills play a significant role in producing accurate, understandable, and timely reports. Third, the moderating role of technological readiness (Z) in accordance with the Technology Readiness Index framework (Parasuraman, 2000), indicates that infrastructure readiness, technical capabilities, and positive attitudes toward technology strengthen the influence of accounting digitalization and financial literacy on the quality of financial reports.

The high R-square value is also consistent with previous research findings. Research by Utami & Prasetyo, 2025 and Nurabadi et al., 2022 shows that digital accounting adoption significantly improves the quality of MSME financial reports, in line with indicators X1.1-X1.4 in this study, which have high outer loadings. Furthermore, research by Lusardi & Mitchell, 2014 and Fitriani et al., 2025 supports that financial literacy is a strong predictor of reporting quality, according to indicators X2.1-X2.5, which are also empirically valid. A study by Nugraha et al., 2023 also confirms that technological readiness moderates the effectiveness of MSME digital transformation, providing an empirical basis for the model's strong contribution to Y. Thus, the R-square value of 0.763 illustrates that this research model is not only statistically strong but also theoretically robust and aligned with previous empirical evidence.

Table 3. F-square

Variabel	Y
X1	0,241
X2	0,099
Z	0,179
Z x X1	0,095
Z x X2	0,037

Source: Processed Data (2025)

The F-square test results show that the Digital Accounting Implementation variable (X1) has a value of 0.241, which according to Hair et al.'s (2021) criteria is included in the medium effect category on Financial Report Quality (Y). This finding indicates that X1's contribution is not only statistically significant but also substantial in improving the quality of MSME financial reporting. This moderate effect is consistent with the Technology Acceptance Model theory (Davis, 1989), which explains that the use of technology that is considered useful and easy to use will improve the quality of information output. These results are also in line with research (Nurabadi et al., 2022) which found that digital accounting applications have a strong influence on the accuracy, timeliness, and readability of MSME financial reports.

Meanwhile, the Financial Literacy variable (X2) obtained an F-square value of 0.099, which is categorized as a small effect. Although small, this value still shows a positive contribution to the quality of financial reports, in accordance with the concept of Financial Literacy Theory (Huston, 2010) which emphasizes that financial understanding and capability improve the ability of business owners to prepare quality financial reports. This finding is in line with research (Fitriani et al., 2025) and (Lusardi & Mitchell, 2014), which states that

financial literacy is an important predictor although its effect can vary according to the context and capabilities of MSME actors. The Technology Readiness variable (Z) has a value of 0.179, which is included in the medium effect category, indicating that technology readiness has a substantial role in supporting the process of preparing quality financial reports. This strengthens the Technology Readiness Index theory (Parasuraman, 2000) , which confirms that infrastructure readiness and technical capabilities contribute significantly to the successful implementation of digital systems.

The F-square value for the $Z \times X1$ moderation interaction of 0.095, which is categorized as a small effect, indicates that technological readiness has a significant, although not dominant, moderating effect on the relationship between digital accounting implementation and financial report quality. This small effect indicates that although technological readiness can strengthen the relationship, its contribution is additional and not as strong as the main variable X1. This finding remains consistent with the moderation approach in PLS-SEM as explained by (Ping, 1995) and Henseler (2020), that moderation does not always produce a large effect, but remains significant in clarifying how one variable influences another. This result is in line with research by (Nugraha et al., 2023) , which shows that technological readiness strengthens digital adoption, but the magnitude of the effect may depend on the level of capabilities and resources of MSMEs.

The moderating variable $Z \times X2$ has an F-square value of 0.037, which is categorized as a very small effect. This indicates that technological readiness only plays a minimal additional role in strengthening the relationship between financial literacy and the quality of MSME financial reports. This condition can be explained through the Resource-Based View theory (Barney, 1991) , where financial literacy is a form of human capital that directly impacts the quality of financial reports without relying too much on technological readiness. In other words, financial literacy is influenced primarily through the knowledge and abilities of business owners, while technological readiness only contributes a small contribution as a facilitator. This finding is supported by research (Arifin & Kohar, 2019) , which states that strengthening financial literacy is determined more by aspects of education and experience than technological readiness. Thus, the $Z \times X2$ moderation model remains valid, but its influence is relatively small in the context of this study.

Table 4. Construct reliability and validity

Variabel	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
X1	85%	87%	90%	68%
X2	84%	84%	89%	61%
Y	91%	92%	94%	79%
Z	87%	87%	90%	65%

Source: Processed Data (2025)

The results of the reliability test indicate that all constructs in the study have Cronbach's Alpha and Composite Reliability (ρ_a and ρ_c) values above the recommended threshold, which is ≥ 0.70 (Hair et al., 2021). The Digital Accounting Implementation variable (X1) has a Cronbach's Alpha of 0.85 and a Composite Reliability (ρ_c) of 0.90, indicating excellent internal consistency. Likewise, the Financial Literacy variable (X2) has an alpha of 0.84 and a composite reliability of 0.89, and the Technology Readiness variable (Z) has an alpha of 0.87 and a reliability of 0.90, confirming that all indicators in these constructs are correlated and consistently measure the same concept. The Financial Report Quality variable (Y) even shows the highest reliability (alpha 0.91, ρ_c 0.94), indicating very strong measurement stability. These findings indicate that all constructs have met the internal consistency reliability requirements, strengthening the validity of the research structural model.

All variables in the study have an Average Variance Extracted (AVE) value above the minimum criterion of 0.50, indicating that convergent validity has been met (Fornell & Larcker, 1981). Variable X1 recorded an AVE of 0.68, indicating that indicators of accounting application usage, automation, data updates, and training together were able to explain more than 68% of the variation in the construct of digital accounting implementation. Variable X2 had an AVE of 0.61, indicating that financial literacy indicators such as report understanding, budget management, financial product understanding, and the ability to read financial information truly describe the construct in accordance with Financial Literacy Theory (Huston, 2010). Variable Y had the highest AVE of 0.79, indicating that accuracy, timeliness, readability, and compliance with standards are very strong representations of the quality of financial reports, in line with the financial report characteristics standards according to the IASB (2018). This is reinforced by research (Nurabadi et al., 2022) and (DeFond & Jiambalvo, 1994), which emphasize that accuracy and timeliness have a significant impact on the perceived quality of financial information.

Overall, the reliability and construct validity results confirm that the measurement model in this study meets scientific standards and is suitable for use in the structural model testing phase. The Technology Readiness (Z) variable has an AVE of 0.65, indicating that the indicators of infrastructure, technical capability, technology adoption, positive attitudes, and technical support successfully explain the concept of readiness strongly, in accordance with the Technology Readiness Index framework (Parasuraman, 2000). These results are also consistent with the findings of (Nugraha et al., 2023) which state that technology readiness is a critical factor in the success of MSME digital transformation. Thus, both in terms of reliability and validity, the entire construct has been tested strongly and is consistent with the theoretical foundation and previous empirical research. This ensures that the structural relationships between the variables of digital accounting implementation, financial literacy, technology readiness, and financial report quality can be further analyzed with a high degree of confidence.

Table 5. Hipotesis

Variabel	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
X1 -> Y	0,353	0,367	0,087	4,046	0,000
X2 -> Y	0,224	0,231	0,098	2,292	0,022
Z x X1 -> Y	0,203	0,190	0,081	2,502	0,012
Z x X2 -> Y	0,184	0,176	0,089	2,082	0,037

Source: Processed Data (2025)

The bootstrapping test results show that the implementation of digital accounting (X1) has a positive and significant effect on the quality of MSME financial reports (Y), with a coefficient value of 0.353, a T-statistic of 4.046, and a p-value of 0.000. Because the p-value <0.05 and the direction of the relationship is positive, H1 is accepted. This finding indicates that the higher the use of accounting software, recording automation, digital data updates, and technology training (indicator X1), the higher the accuracy, readability, timeliness, and compliance of MSME financial reports (indicator Y). These results are consistent with the Technology Acceptance Model (Davis, 1989), which emphasizes that the perception of the usefulness of technology drives an increase in the quality of information output. Previous research by Wardani & Darmawan (2022) and (Utami & Prasetyo, 2025) also proves that accounting digitalization significantly improves the quality of MSME financial reports. Furthermore, the test results for H2 show that financial literacy (X2) has a positive and significant effect on the quality of MSME financial reports, indicated by a coefficient value of 0.224, a T-statistic of 2.292, and a p-value of 0.022. Because the p-value <0.05 and the direction of the relationship is positive, H2 is accepted. This means that understanding financial reports, the ability to manage budgets, knowledge of financial products, and the ability to read financial information (indicator X2) significantly improve the quality of financial reporting (Y). This finding is in line with Financial Literacy Theory (Huston, 2010) and is supported by research (Lusardi & Mitchell, 2014) and (Fitriani et al., 2025), which states that financial literacy is an important determinant in the quality of MSME decision-making and reporting.

The results of the moderation hypothesis test indicate that technological readiness (Z) moderates the effect of digital accounting implementation (X1) on financial report quality (Y), with an interaction coefficient value of 0.203, a T-statistic of 2.502, and a p-value of 0.012. Since the p-value <0.05, H3 is accepted. This finding indicates that the positive relationship between digital accounting implementation and financial report quality will be stronger when MSMEs have high technological readiness including the availability of digital infrastructure, technical capabilities, a positive attitude towards change, and technical support (indicator Z). These results are consistent with the Technology Readiness Index (Parasuraman, 2000) which confirms that an organization's psychological and

technical readiness strengthens the effectiveness of digital technology use. Research (Nugraha et al., 2023) and (Arifin & Kohar, 2019) also found that technological readiness has a key role in optimizing the implementation of digital systems in MSMEs. Thus, digital accounting will have a greater impact on financial report quality when MSMEs are technologically ready.

The fourth hypothesis test shows that technological readiness (Z) also moderates the effect of financial literacy (X2) on the quality of financial reports (Y), with a coefficient of 0.184, a T-statistic of 2.082, and a p-value of 0.037. Because the p-value <0.05 and the direction of the coefficient is positive, H4 is accepted. This indicates that financial literacy has a greater impact on the quality of financial reports when MSMEs have good technological readiness. The availability of digital devices, the internet, and technical support can help business owners with financial literacy manage and present financial reports more systematically and accurately. This finding supports the Resource-Based View (Barney, 1991) that the combination of human capabilities (human capital through financial literacy) and technological capabilities will produce excellence in the reporting process. This finding is also in line with research (Arifin & Kohar, 2019) , which shows that technology strengthens the financial capabilities of MSMEs through a digital financial information system.

Tabel 6. PLSpredict LV summary

Variabel	Q ² predict	RMSE	MAE
Y	0,644	0,608	0,385

Source: Processed Data (2025)

The PLSpredict test results show that the Financial Report Quality (Y) variable has a Q²predict value of 0.644. According to (Shmueli et al., 2019) and (Hair & Alamer, 2022) , a Q²predict value > 0 indicates that the model has predictive relevance, while a value of 0.50–0.75 is categorized as strong (large predictive power). Thus, a value of 0.644 indicates that this research model has excellent predictive ability in predicting the quality of MSME financial reports based on the variables of digital accounting implementation, financial literacy, and technological readiness as moderating variables. This high Q²predict value strengthens the external validity of the model and proves that the model is not only statistically significant but also capable of making accurate real-world predictions.

The RMSE (Root Mean Square Error) value of 0.608 and MAE (Mean Absolute Error) of 0.385 indicate that the prediction error rate is in the low category and is statistically acceptable. According to (Shmueli et al., 2016) , the smaller the RMSE and MAE values, the better the model's ability to produce stable and unbiased predictions. A lower MAE value compared to RMSE also indicates that most prediction errors are small and uniform, indicating that the model does not experience prediction error spikes or extreme error fluctuations. Thus, the combination of a high Q²predict value and a low RMSE/MAE value strengthens the conclusion that the model has strong and reliable predictability, both in academic contexts and practical applications in MSMEs.

Strong predictive validity of variable Y indicates that the implementation of digital accounting, financial literacy, and technological readiness are appropriate predictors in shaping the quality of MSME financial reports. This is in line with the Technology Acceptance Model (Davis, 1989) , which explains that the use of technology that is perceived as beneficial will result in higher-quality information output. This finding is also consistent with Financial Literacy Theory (Huston, 2010) , where the financial capabilities of MSME actors contribute to more accurate and understandable financial reports. Furthermore, technological readiness as described in the Technology Readiness Index (Parasuraman, 2000) strengthens the effectiveness of digital technology use in financial recording and reporting. Previous research by (Nurabadi et al., 2022) , (Nugraha et al., 2023) , and (Fitriani et al., 2025) also reported that digitalization and financial literacy have high predictive power on the quality of MSME financial information. Thus, the PLSpredict results confirm that your research model has strong empirical relevance and predictive power for use in MSME decision-making and policy design.

Research Implications and Benefits

This research provides several theoretical and practical implications. Theoretically, the study strengthens the concepts of TAM, Financial Literacy Theory, and Technology Readiness Index by demonstrating that digital accounting, financial literacy, and readiness play a significant role in improving the quality of MSME financial reports. These findings expand the literature on MSME accounting digitalization in Indonesia.

Practically, the results of this study provide recommendations for MSMEs to increase their use of digital accounting applications, participate in financial literacy training, and strengthen their technological readiness by improving technical capabilities and digital infrastructure. Local governments and MSME development institutions can also use these findings to design more targeted digital training and empowerment programs.

CONCLUSION AND RECOMMENDATION

This study concludes that the implementation of digital accounting and financial literacy has a positive and significant impact on the quality of financial reports of MSMEs in Makassar City. Furthermore, technological readiness has been shown to moderate the relationship between these two variables and financial report quality, such that the higher the level of technological readiness, the stronger the influence of digital accounting and financial literacy on reporting quality. This study emphasizes the importance of digital competence and financial literacy, as well as technological support, in increasing the transparency and accuracy of MSME financial reports. Recommendations for further research include the addition of other variables such as human resource competence, government support, or fintech adoption, and expanding the regional scope to obtain broader generalizations.

FUTHER STUDY

This research still has delays, so it is necessary to conduct further research related to the topic The Effect of Digital Accounting and Financial Literacy Implementation on the Quality of MSME Financial Reports: The Moderating Role of Technology Readiness in MSMEs in Makassar City in order to improve this research and add insight for readers.

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