The Influence of Accounting Information Systems in Mediating the Quality of Financial Reports on the Performance of MSMEs in Medan

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Abstract. This research aims to determine the Influence of Accounting Information Systems in Mediating the Quality of Financial Reports on the Performance of MSMEs in Medan. The approach used in this research is quantitative, a survey with a Likert scale was distributed to stakeholders interests of MSMEs in Medan. Data analysis carried out using Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS. Research finds significant effects accounting information systems and the quality of financial reports on the performance of MSMEs. In addition, this research highlights the mediating influence of financial report quality on the relationship between accounting information systems and performance in Medan.
Keywords: Accounting information systems; quality of financial reports; performance.

1. INTRODUCTION

MSMEs face various obstacles that hinder their progress (Cordery et al., 2023). One of these obstacles is limited access to finance, which hampers expansion prospects. Handayani et al (2023) stated that MSMEs may need assistance in terms of competitiveness and efficiency due to their limited experience and resources in effectively utilizing technology for their operations. In addition, MSMEs face challenges in competing with large companies in the market due to limited resources and smaller scale (Nofianti & Suseno, 2014).

Given the importance of performance effectiveness for company growth, there are concerns that are prevalent in the industry. Carnero et al (2023)argue that achieving a company's goals is very dependent on the performance of its activities. The application of Accounting Information System (AIS) technology can increase the operational efficiency of MSMEs. It is true, technological advances contribute to increased performance efficiency. Information technology permeates everyday life and can be utilized to improve overall well-being. Its presence increases the effectiveness and efficiency of various activities. Information processing technology facilitates the collection, organization, storage, and manipulation of data through a variety of methods. The result is the production of relevant, accurate and up-to-date data, which has great value for both the private and public sectors, as well as for policy formulation and decision-making processes (Nasution, 2020).

The fields of marketing, finance and technology significantly shape the performance trajectory of MSMEs. Financial reports offer a precise evaluation of a company's financial

health. If prepared carefully, these reports reveal the true success of the organization. According to Vilarinho et al (2023) quality financial reports present relevant information easily understandable, comparable and reliable.

Financial reports function as comprehensive records of transactions monetary value in a particular accounting period, providing evidence of achievement for MSMEs. Financial management is an important element in success companies, and accounting serves as an important financial management tool (Mondal et al., 2024). Currently, many MSMEs only disclose income and expenses in its financial statements. As stated by the Gerged et al (2024) financing institutions have responsibilities as technical support provider to manage finances, being aware of the challenges faced by MSMEs in this field, which significantly impacts their growth and progress, as highlighted in financial reporting and bookkeeping (Hoai et al., 2022).

To improve operational efficiency, MSMEs need reports accurate financials, thus enabling them to obtain funding additional funds from financial institutions for business expansion (Nasution et al., 2021). Report finance serves as an important tool for SMEs, assisting in retrieval decisions and ensure transparency. MSMEs use various sizes for assess and report their financial well-being (Colombarolli & Lersch, 2023).

Accounting tools and principles improve financial performance MSMEs. So that MSMEs can operate efficiently, an accounting information system must be in place being reliable is very important. This technology helps companies accelerate inventory management, improve resource allocation, and create appropriate operational decisions. States that turnover MSMEs may be disrupted if financial recording is done manually through the financial reporting system. Unavailability of appropriate financial data and actual impact can have an impact on the decision-making process, financial transparency, as well as the performance and sustainability of MSMEs. Therefore, MSMEs must integrate powerful accounting tools and concepts into the operational framework them to thrive, provide financial stability, and succeed in the scene competitive business.
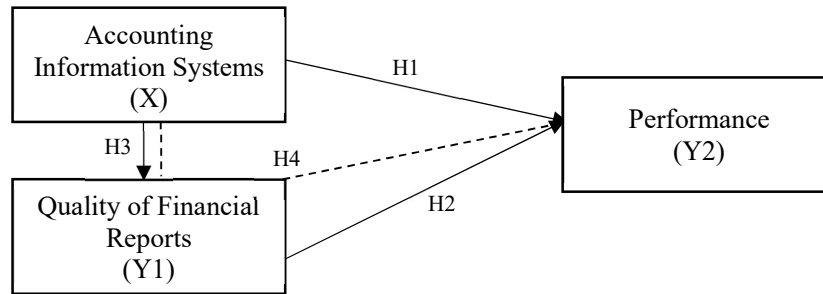
Figure 1. Conceptual Framework

The hypothesis proposed in this research is:

1. Accounting information systems have a significant effect on performance.
2. The quality of financial reports has a significant effect on performance.
3. Accounting information systems have a significant effect on quality of financial reports.
4. The quality of financial reports mediates the influence of the information system accounting for performance.

2. RESEARCH METHOD(S)

This study applies quantitative methods, collecting primary data through distributing questionnaires to 95 MSMEs in Medan, using the Slovin formula for sampling. Questionnaire given physically using a 5 point Likert scale to measure variables related to accounting information systems, assessed using a scale developed by McDermott (2023) as well as the quality financial reports based on guidelines. Data analysis was carried out using Partial Least Squares analysis (PLS) and Partial Least Squares-Structural Equation Modeling (PLS-SEM). Hypothesis will be evaluated through Outer Model Analysis, Inner Model Analysis and Testing tests Hypothesis, to ensure robustness in testing relationships between systems accounting information, quality of financial reports, and performance of MSMEs in Medan.

3. FINDINGS AND DUSCUSSION

Outer Loading Test

A loading factor value > 0.7 is considered the standard in practice study. However, Díaz & Cano (2022) argue that during the stage development, indicators in the range of 0.5 to 0.6 should be considered ideal, original, or suitable for study. Average Variance Extracted (AVE)

represents the average variance attributed to the item and the variance attributable to measurement error. Strong convergent validity is shown when the AVE value exceeds 0.5, which serves as a standard benchmark, and indicates that the factor latent explains more than 50% of the variation in indicators.

Based on data analysis, the AVE value of the accounting information system, quality financial reports, and performance respectively amounted to 0.771, 0.646, and 0.738. All three variables show an AVE that exceeds 0.5, which indicates a strong level of convergent validity in the construct. This means that the variable latent may account for more than half of the observed mean variation in indicators, thereby strengthening the reliability and strength of the measurement model this research.

Composite Reliability and Cronbach's Alpha serve as statistical indicators to evaluate the reliability of a concept. Composite Reliability measures the level the actual reliability of a construct, while Cronbach's Alpha represents the value the minimum. To be considered reliable, Composite Reliability and value levels Cronbach's Alpha should exceed 0.6, indicating a degree of dependability high for the construct examined. Based on the processed data, value Composite Reliability of Accounting Information Systems, Quality of Financial Reports, and Performance are respectively valued at 0.964, 0.879 and 0.944. In addition, the accounting information system obtained a Cronbach's Alpha coefficient of 0.957, Financial Report Quality of 0.816, and performance of 0.928. Third the variable shows a reliable and reliable measurement instrument, as it exceeds the threshold of 0.6, which indicates deep robustness measurement and assessment capabilities.

Inner Model Test

The R-squared value serves as a metric that measures the proportion of variation observed in the dependent variable that can be explained by the variable free. As explained by Habu & Henderson (2023) the R-squared value of 0.75 for the endogenous latent variable indicates good model fit substantial, where 75% of the observed variation can be explained by variables independent. Values of 0.50 and 0.25 imply moderate and weak model fit, respectively.

Obtaining an R-squared value of 0.862 indicates that there is 86.2% variation performance can be explained by changes in accounting information systems and quality financial statements. This strong relationship underscores the effectiveness of the deep model describe the dynamics between variables. In addition, accounting information systems has a

large influence on the quality of financial reports (r=0.518), shows that 51.8% of the variation in report quality can be attributed to changes in the system accounting information, a reliable model while the remaining 48.2% is attributable by other contributing factors. This analysis shows that the model effectively captures the complex interactions between accounting information systems, financial reporting quality, and performance, highlighting the critical role of these variables in determining organizational outcomes and emphasizing the importance of Strong accounting to improve business performance and sustainability.

Hypothesis Test

Analytical findings prove the acceptance of Hypothesis 1. The P value (0.000 < 0.05) and T-statistic (9.090 > 1.96) provide clear evidence of a substantial relationship and positive relationship between accounting information systems and performance. System potential accounting information to improve performance is clear. With using the system accounting information, MSMEs can manage their finances well as well as preparing financial reports. As a result, their companies can function smoothly, so that the performance of MSMEs increases.

Analysis of Hypothesis 2 shows that there is a significant and positive influence the quality of financial reports on performance. This is confirmed by the P value (0.001 < 0.05) and T statistic value (3.493 > 1.96). Correlation between report quality finances and the success of MSMEs is clearly visible. By empowering the MSME actors in preparing their financial reports, they get deeper understanding of the organization's finances. Therefore, this information enables the progress and expansion of their companies.

Analysis of Hypothesis 3 shows a significant and positive relationship between the systems accounting information and the quality of financial reporting. This is confirmed by the value P (0.000 < 0.05) and statistical T value (11,040 > 1.96). This shows the effectiveness of the accounting information system in increasing accuracy and reliability financial statements. By using the system accounting information in preparing financial reports, MSMEs can guarantee that the reports are of superior quality, as well as timely and relevant.

Hypothesis 4 analysis states that the quality of financial reports plays a role mediator in the relationship between accounting information systems and performance. This matter confirmed by the P-Values of 0.002 which is below the significance level 0.05 and T-statistic of 3.160 which exceeds the critical value of 1.96. This matter shows the effectiveness of accounting information systems in improving performance micro, small and medium enterprises (MSMEs). By using AIS in in order to produce financial reports, MSME players

can guarantee excellence, accuracy and timeliness of financial data. With approach in a more methodical and systematic manner, MSME players can gain understanding more in-depth information about the company's finances. More understanding well this will give them an invaluable perspective to encourage expansion and progress of their business.

4. CONCLUSION AND RECOMMENDATION

The results of this research show that in Medan, the performance of MSMEs is greatly influenced by the accounting information system and the quality of financial reports. Apart from that, the performance of MSMEs is also influenced by the system accounting information which in turn is influenced by the accuracy of reporting finance. The results of this research have quite large implications for managers and MSME owners in Medan. Findings This research can help the business world in making better decisions appropriate, allocate resources to existing accounting information systems, and ensure reliability their financial reporting. By implementing these steps, micro, small and medium enterprises (MSMEs) in Medan can improve their performance significantly significantly, increase its competitiveness, and achieve long-term growth.

This research only focuses on micro, small and medium enterprises (MSMEs) those in Medan, without taking into account other regions. Therefore, this finding may not be possible generalized to different regions or circumstances. In addition, the data included in this research comes from the individual's own narrative, thus leading to on the inclusion of biases and limitations. To gain a comprehensive understanding about the complex relationship between accounting information systems, financial reporting quality, and MSME performance, further research might explore other variables, expanding the samples, and integrating longitudinal studies.

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