THE EFFECT OF BUSINESS CAPITAL, ACCOUNTING KNOWLEDGE, AND THE IMPLEMENTATION OF ACCOUNTING INFORMATION SYSTEMS ON THE PERFORMANCE OF MSMEs IN DENPASAR CITY

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Abstract.. The performance of MSMEs is considered one of the benchmarks for the success of a business entity in achieving its objectives. Improved performance will bring progress for a business to survive in increasingly intense competition. This study aims to obtain empirical evidence regarding the effect of business capital, accounting knowledge, and the implementation of accounting information systems on the performance of MSMEs in Denpasar City. The population in this study consists of MSMEs spread across Denpasar City, totaling 69,491 units. The sampling method used was probability sampling with the disproportionate stratified random sampling technique. The number of samples based on the Slovin formula was 100. Data were collected by distributing questionnaires to 100 MSMEs operating in Denpasar City. The analytical technique employed was multiple linear regression analysis using SPSS 26 for Windows. Based on the results of the analysis, business capital has a positive and significant effect on MSME performance, and accounting knowledge also has a positive and significant effect on MSME performance. However, the implementation of accounting information systems has no effect on MSME performance.

Keywords: Business Capital, Accounting Knowledge, Accounting Information Systems, MSME Performance

BACKGROUND

MSMEs, or Micro, Small, and Medium Enterprises, are essentially businesses run by individuals, groups, or business entities. MSMEs are considered the backbone of a nation's economy. In Indonesia, most MSMEs are home-based businesses that absorb a large portion of the workforce. Based on data from the Ministry of Cooperatives and SMEs, there were 65.5 million MSMEs in 2023. This number indicates that MSMEs absorb 97 percent of the total workforce, proving that their impact and contribution are significant in reducing unemployment in Indonesia. The greater the involvement of the workforce in MSMEs, the more it helps reduce the unemployment rate in the country.

Performance is the result of the achievements of an individual or a group in completing assigned tasks and responsibilities (Arisanti et al., 2019). Business performance reflects a benchmark for the success of a business entity in achieving its objectives. Performance evaluation is crucial for a business to assess the strategies it has implemented, serving as a tool for evaluation, motivating employees, and exploring their potential. MSMEs often face various challenges and obstacles that affect their performance, both external and internal. External challenges include limited access to business financing, high infrastructure costs, and inefficient bureaucratic services, while internal challenges involve human resources, marketing, technology, and intellectual capital (Umiyati & Achmad, 2021).

The development of MSMEs is highly strategic in driving the national economy because their activities cover almost all sectors, making their contribution substantial to income growth for low-income groups. However, since the emergence of the COVID-19 pandemic, MSMEs have been among the sectors most affected. The pandemic spread rapidly, leaving many countries unprepared to adapt. Economic indicators used to measure the impact of the pandemic include economic growth and the Open Unemployment Rate (OUR). This condition was experienced across regions with varying degrees of severity. The main cause of economic decline was activity restrictions, particularly between March and September 2020, which resulted in decreased economic activity.

The decline in people's income led to reduced demand for goods and services. For MSMEs, this posed a serious threat as it had the potential to lower sales and profits. The COVID-19 pandemic caused Bali's economy to contract. According to data from Statistics Indonesia (BPS), in the first quarter of 2020, Bali's economy recorded a growth rate of -1.14 percent (Statistics, 2020b). In the second quarter of 2020, the economy experienced a significant decline of -10.98 percent (Statistics, 2020a), and in the third quarter of 2020, the economy weakened further to -12.28 percent (Statistics, 2020c). Many people lost their jobs, which indirectly reduced purchasing power, thereby lowering business performance.

The theory applied in this study is the Knowledge-Based View (KBV). According to this theory, knowledge is the main source of value, and a company's value growth largely depends on its ability to gather and utilize knowledge. Effective and efficient creation, maintenance, and transfer of knowledge make knowledge exchange a key competency that contributes to improved performance and organizational assets. Hsu (2008) states that knowledge exchange, as part of external learning, can enhance company performance through human resource development. KBV essentially suggests strategies for achieving competitive advantage while improving performance (Maulana et al., 2022).

Despite MSMEs' crucial role in the national economy, they still face numerous challenges. One of the most common issues is related to business capital. Capital is a key factor necessary for developing a business. Working capital is essential for maintaining operational continuity. Capital plays an important role in the production process because when an entrepreneur intends to establish a new

business or expand an existing one, sufficient capital is required. Without adequate capital, business continuity and progress will be hindered, affecting the income generated (Istinganah & Widiyanto, 2020). Limited access to financing sources and a lack of knowledge in capital and financial management often result in MSMEs operating with limited capital. Consequently, business performance in terms of finance, productivity, and growth becomes less optimal. Therefore, it is important to examine the extent to which business capital affects MSME performance, particularly in Denpasar City. Working capital aims to ensure the continuity of daily operations by providing sufficient funds to finance business activities. Previous studies (Kurnianty & Sitorus, 2023; Ismartaya, 2021; Ahmad Ferdiansyah & Eri Bukhari, 2021; Lorenza & Harahap, 2022) have shown that business capital partially has a positive and significant effect on MSME performance. However, other studies (Sidik & Ilmiah, 2022; Maulatuzulfa & Rokhmania, 2022) found that business capital does not significantly affect MSME performance.

Running a business is not limited to one month, one year, or two years but extends over many years. Therefore, it is important for entrepreneurs to understand financial transaction recording and accounting reporting. It is impossible for a business to remember all transactions without systematic records, which makes an accounting system essential. Accounting knowledge refers to the understanding of how to classify, analyze, and record financial activities of a company. MSMEs often face challenges such as low education levels, lack of business training, limited managerial experience, insufficient understanding of information technology, and unreliable financial reporting characteristics. To address these issues, efforts should be made to improve MSME actors' accounting knowledge and enhance the usefulness of accounting information, which in turn improves decision-making quality. Previous studies (Agus Suyono & Zuhri, 2022; Abdillah et al., 2019; Fitriani et al., 2023; Setiawati et al., 2021) demonstrated that accounting knowledge has a positive and significant effect on MSME performance, while Sovia (2022) found that it has no effect.

Accounting Information Systems (AIS) can be defined as systems that organize forms, records, and reports in a coordinated manner to produce financial information necessary for management and decision-making. A lack of knowledge among MSME owners regarding AIS can lead to business failures in improving performance. AIS plays a crucial role in managing financial data more efficiently. The use of information technology allows for rapid and accurate recording, processing, and reporting of financial data. AIS produces reliable and verified financial information to support decision-making. However, many MSME actors still do not understand the importance of AIS and continue to use manual records, or in some cases, keep no records at all. Therefore, it is important to investigate the extent to which the implementation of AIS affects MSME performance. Previous research (Farina & Opti, 2023; Meylani & Ismunawan, 2022; Fitriani et al., 2023; Amalia, 2023) found that AIS implementation has a positive and significant effect on MSME performance, while Wahyuni et al. (2021) found no such effect.

Based on the above background, the researcher is motivated to conduct further research on business capital, accounting knowledge, and the implementation of accounting information systems, which are predicted to affect MSME performance. This study replicates the research by Muria et al. (2021), which examined accounting information system understanding, accounting information system implementation, accounting knowledge, and entrepreneurial ability as variables predicted to influence MSME performance. However, this study focuses on MSMEs in Denpasar City, using data collected from 2020–2023, whereas the previous study was conducted in Kudus Regency. Moreover, this research adds business capital as a variable to test its effect on MSME performance, which was not examined in the prior study.

RESEARCH METHOD

This study employs a quantitative approach with an associative design to examine the relationship between business capital (X_1), accounting knowledge (X_2), and the implementation of accounting information systems (X_3) on the performance of MSMEs (Y) in Denpasar City. The research population consists of all MSMEs, totaling 69,491 units as of December 31, 2023, using the disproportionate stratified random sampling technique. The sample size was calculated using the Slovin formula with a 10% margin of error, resulting in 100 respondents, all of whom came from micro-enterprises. Primary data were collected through questionnaires with a 4-point Likert scale, while secondary data were obtained from the Bali Province Cooperative and MSMEs Office (Sugiyono, 2018; Pandoyo & Sofyan, 2018).

The research instruments consisted of questionnaires for each variable adopted from previous studies, such as MSME performance indicators from Akuba (2022), business capital indicators from McGee et al. (1977), accounting knowledge from Jamil & Hidayat (2022), and accounting information systems from Fitriani et al. (2023). The validity and reliability of the instruments were tested using SPSS. Validity was assessed through item-total correlation, while reliability was tested using Cronbach's Alpha, with values > 0.60 as the threshold for instrument reliability (Sugiyono, 2019; Fitriani et al., 2023).

The data analysis techniques included descriptive analysis, classical assumption tests (normality, multicollinearity, heteroscedasticity), and multiple linear regression analysis. The regression model used to analyze the effect of independent variables on MSME performance was formulated as follows: $Y = α + β_1X_1 + β_2X_2 + β_3X_3 + ε$. Furthermore, the coefficient of determination (R^2) test was conducted to assess the model's ability to explain the dependent variable, along with F-test and t-test to evaluate the significance of the model and the influence of each independent variable. The significance test was carried out with a 95% confidence level or $α = 0.05$ (Haseeb et al., 2019; Sugiyono, 2018).

RESULTS AND DISCUSSION

Research result

Instrument Validity Test

This study used a questionnaire as the research instrument. Therefore, instrument validity testing is necessary to measure the validity of a questionnaire. An instrument is considered valid if the correlation coefficient between items and the total score in the instrument is greater than 0.2242 (r-table) or r-calculated>r-table with a significance level of 0.05. Validity testing was conducted using SPSS 26 for Windows software. The results of the validity testing of the questionnaire used in this study can be seen in Table 1 below.

Table 1. Recapitulation of Instrument Validity Test Results

Variables	Indicator	Pearson Correlation	Information
Business Capital (X1)	X1.1	0.614	Valid
	X1.2	0.511	Valid
	X1.3	0.531	Valid
	X1.4	0.534	Valid
	X1.5	0.487	Valid
	X1.6	0.659	Valid
	X1.7	0.571	Valid
Accounting Knowledge (X2)	X2.1	0.759	Valid
	X2.2	0.709	Valid
	X2.3	0.744	Valid
	X2.4	0.792	Valid
	X2.5	0.671	Valid
	X2.6	0.314	Valid
Implementation of Accounting Information Systems (X3)	X3.1	0.837	Valid
	X3.2	0.782	Valid
	X3.3	0.718	Valid
	X3.4	0.753	Valid
	X3.5	0.819	Valid
	X3.6	0.710	Valid
	X3.7	0.689	Valid
MSME Performance (Y)	Y1	0.755	Valid
	Y2	0.798	Valid
	Y3	0.672	Valid
	Y4	0.607	Valid
	Y5	0.782	Valid

Source: Data attached in the author's thesis

Based on the instrument validity test results in Table 1 above, which were tested using 75 respondents, it shows that the correlation coefficient values of all questionnaire items with the total score were greater than 0.2242 with a

significance level of 0.05. This indicates that all questionnaire items used to measure the variables of Business Capital, Accounting Knowledge, Implementation of Accounting Information Systems, and MSME Performance are valid and appropriate for use as research instruments.

Instrument Reliability Test

The instrument reliability test was conducted to measure the consistency of a questionnaire as an indicator of the research variables. An instrument is declared reliable if the Cronbach's Alpha value is greater than 0.60. The reliability test was conducted using SPSS 26 for Windows. The results of the reliability test of the research instruments are presented in Table 2 below.

Table 2. Recapitulation of Instrument Reliability Test Results

No	Variables	Cronbach's Alpha	Information
1	Venture capital	0.615	Reliable
2	Accounting Knowledge	0.760	Reliable
3	Implementation of Accounting Information Systems	0.876	Reliable
4	MSME Performance	0.756	Reliable

Source: Data attached in the author's thesis

Based on the results of the instrument reliability test in Table 2 above, it shows that all research instruments have Cronbach's Alpha coefficients greater than 0.60. This indicates that all instruments for the variables of Business Capital, Accounting Knowledge, Implementation of Accounting Information Systems, and MSME Performance meet the reliability requirements and can therefore be used for the study.

Descriptive Statistics

Descriptive statistics were conducted to obtain an overview of the data in the form of minimum value, maximum value, mean, and standard deviation. The measurement of the central value of the distribution can be carried out using the mean, while the standard deviation represents the difference between the observed data values and their mean. Each variable was measured using a questionnaire with a four (4)-point Likert scale. The descriptive statistical test was carried out using SPSS 26 for Windows. The results of the descriptive statistical test can be seen in Table 3 below.

Table 3. Results of Descriptive Statistics of Research Variables

	N	Minimum	Maximum	Average	Standard Deviation
Venture capital	75	14.00	28.00	23,0133	2,80199
Accounting Knowledge	75	14.00	24.00	20,1333	2.72790
Implementation of	75	17.00	28.00	24,1067	3.03392

Accounting Information Systems					
MSME Performance	75	9.00	20.00	15,6800	2,71213
Valid N (listwise)	75				

Source: Data attached in the author's thesis

Based on Table 3 above, the number of observations (N) in this study was 75 samples. The explanation of the descriptive statistical results in this study is as follows:

1) Business Capital Variable

The business capital variable was measured using seven (7) questionnaire items with a four (4)-point Likert scale. Table 3 shows that the business capital variable had a minimum value of 14 and a maximum value of 28, with a mean value of 23.0133, which indicates that respondents had an adequate or high level of business capital. The standard deviation of the business capital variable was 2.80199, which means that the difference between the observed values of business capital and the mean value was 2.80199.

2) Accounting Knowledge Variable

The accounting knowledge variable was measured using six (6) questionnaire items with a four (4)-point Likert scale. Table 3 shows that the accounting knowledge variable had a minimum value of 14 and a maximum value of 24, with a mean value of 20.1333, which indicates that the level of accounting knowledge tended to be high. The standard deviation of the accounting knowledge variable was 2.72790, which means that the difference between the observed values of accounting knowledge and the mean value was 2.72790.

3) Implementation of Accounting Information Systems Variable

The implementation of accounting information systems variable was measured using seven (7) questionnaire items with a four (4)-point Likert scale. Table 3 shows that the implementation of accounting information systems variable had a minimum value of 17 and a maximum value of 28, with a mean value of 24.1067, which indicates that the implementation of accounting information systems was relatively high. The standard deviation of this variable was 3.03392, which means that the difference between the observed values of implementation of accounting information systems and the mean value was 3.03392.

4) MSME Performance Variables

The MSME performance variable was measured using five (5) questionnaire items with a four (4)-point Likert scale. Table 3 shows that the

MSME performance variable had a minimum value of nine (9) and a maximum value of 20. The mean value of MSME performance was 15.6800, which indicates that MSME performance tended to be high. The standard deviation of the MSME performance variable was 2.71213, which means that the difference between the observed values of MSME performance and the mean value was 2.71213.

Classical Assumption Test

The classical assumption test was conducted to determine whether there were classical assumption problems in the regression model used in this study. The classical assumption tests that must be fulfilled include the normality test, multicollinearity test, and heteroscedasticity test.

1) Normality Test

The normality test was carried out to observe the residual distribution of the variables used in the study. In this research, the normality test used the residual normality test with the non-parametric Kolmogorov-Smirnov (K-S) statistical test, assisted by SPSS 26 for Windows. If the Asymp. Sig (2-tailed) value > significance level of 0.05, the data is said to be normally distributed. The results of the normality test can be seen in Table 4 below.

Table 4. Normality Test Results

	Unstandardized Residual
N	75
Asymp/Sig (2-tailed)	0.200

Source: Data attached in the author's thesis

Based on Table 4 above, the Asymp. Sig (2-tailed) value from the 75 observed samples was greater than 0.05, namely 0.200. This indicates that the regression model used in this study was normally distributed.

2) Multicollinearity Test

The multicollinearity test was conducted to examine whether the regression model used in this study had correlations among the independent variables. The test was assisted by SPSS 26 for Windows. The presence or absence of multicollinearity can be determined by looking at the tolerance value or Variance Inflation Factor (VIF). If the tolerance value is greater than 0.10 or the VIF value is less than 10, then the model is said to be free from multicollinearity. The results of the multicollinearity test in this study can be seen in Table 5 below.

Table 5. Multicollinearity Test Results

Variables	Tolerance	Variance Inflation Factor (VIF)	Information
Business Capital (X1)	0.644	1,552	Multicollinearity Free
Accounting Knowledge (X2)	0.625	1,600	Multicollinearity Free
Implementation of Accounting Information Systems (X3)	0.542	1,845	Multicollinearity Free

Source: Data attached in the author's thesis

Based on Table 5 above, the tolerance values of each independent variable were greater than 0.10, and the VIF values of each variable were less than 10. This indicates that the regression model used in this study was free from multicollinearity.

3) Heteroscedasticity Test

The heteroscedasticity test was conducted to observe whether, in the regression model, there was inequality of variance from the residuals of one observation to another, measured using the Glejser Test. A regression model that is free from heteroscedasticity has a significance probability above the confidence level of 5% or 0.05 for the absolute residual values. The heteroscedasticity test was assisted by SPSS 26 for Windows. The results of the heteroscedasticity test can be seen in Table 6 below.

Table 6. Heteroscedasticity Test Results

Variables	Significance	Information
Business Capital (X1)	0.653	Free of Heteroscedasticity
Accounting Knowledge (X2)	0.747	Free of Heteroscedasticity
Implementation of Accounting Information Systems (X3)	0.647	Free of Heteroscedasticity

Source: Data attached in the author's thesis

Based on Table 6 above, the significance values of the absolute residuals were greater than 0.05. Therefore, it can be stated that the regression model used in this study did not contain heteroscedasticity.

Multiple Linear Regression Analysis

Multiple linear regression analysis can be performed after all classical assumptions are fulfilled. The calculation of multiple linear regression coefficients

was carried out using regression analysis with the assistance of SPSS 26 for Windows. The results of the multiple linear regression analysis can be seen in Table 7 below.

Table 7. Results of Multiple Linear Regression Analysis

	Model	Regression Coefficient	Std. Error	t	Sig.
1	(Constant)	-2,293	2,127	-1,078	0.285
	Business Capital (X1)	0.374	0.100	3,758	0,000
	Accounting Knowledge (X2)	0.392	0.104	3,779	0,000
	Implementation of Accounting Information Systems (X3)	0.061	0.100	0.604	0.548
	R Square			0.516	
	Adjusted R Square			0.495	
	F Count			25,218	
	Significance of F			0.000b	

Source: Data attached in the author's thesis

Based on the results of multiple linear regression analysis in Table 7, the regression equation can be written as follows.

$$Y = -2{,}293 + 0{,}374X_1 + 0{,}392X_2 + 0{,}061X_3 + \varepsilon \dots\dots\dots\dots\dots\dots\dots\dots\dots(2)$$

The interpretation of the regression model equation above can be explained as follows.

1) The constant value shows -2.293, which means that if all independent variables are constant at zero, the dependent variable value is -2.293. In other words, if there is no business capital, accounting knowledge, and implementation of accounting information systems in a business, the performance of MSMEs will be -2.293.

2) The business capital variable (X_1) has a coefficient value of 0.374 with a significance of 0.000. The regression coefficient of business capital of 0.374 means that every 1 percent increase in business capital will increase MSME performance by 37.4 percent, assuming other variables remain constant.

3) The accounting knowledge variable (X_2) has a coefficient value of 0.392 with a significance of 0.000. The regression coefficient of accounting knowledge of 0.392 means that every 1 percent increase in accounting knowledge will increase MSME performance by 39.2 percent, assuming other variables remain constant.

4) The implementation of accounting information systems variable (X_3) has a coefficient value of 0.061 with a significance of 0.548. The regression

coefficient of the implementation of accounting information systems of 0.061 means that every 1 percent increase in the implementation of accounting information systems will increase MSME performance by 6.1 percent, assuming other variables remain constant.

Coefficient of Determination

The coefficient of determination analysis measures how far the model's ability can explain the variation of the dependent variable. In this study, the coefficient of determination was measured by looking at the Adjusted R Square value. The testing of the coefficient of determination was assisted by SPSS 26 for Windows. Based on the results of data processing in Appendix 10, the Adjusted R Square (R^2) value obtained was 0.495. This shows that 49.5% of the variation in MSME performance is explained by business capital, accounting knowledge, and the implementation of accounting information systems, while the remaining 50.5% is influenced by other factors not included in the research model.

Model Feasibility Test (F Test)

The F statistical test was conducted to determine the feasibility of the multiple linear regression model formed as an analytical tool to test the effect of independent variables on the dependent variable. The testing of model feasibility was assisted by SPSS 26 for Windows. Based on the results of data processing in Appendix 10, the calculated F significance value was smaller than 0.05 (0.000 < 0.05). In other words, the regression model constructed is feasible to be used to explain the effect of business capital, accounting knowledge, and the implementation of accounting information systems on MSME performance.

Hypothesis Testing (t-Test)

The effect of business capital, accounting knowledge, and the implementation of accounting information systems on MSME performance was tested using the t test. The hypothesis testing criteria (t test) are as follows: if the significance value ≤ 0.05, then the hypothesis is accepted. Conversely, if the significance value > 0.05, then the hypothesis is rejected. The t test was assisted by SPSS 26 for Windows. The results of testing each independent variable are explained as follows.

1) The Effect of Business Capital on MSME Performance

Based on the analysis results, the effect of business capital on MSME performance obtained a positive regression coefficient of 0.374 with a significance value of 0.000. The significance value of 0.000 is smaller than 0.05 (0.000 < 0.05), thus H1 is accepted. This means that business capital has a positive and significant effect on MSME performance in Denpasar City.

2) The Effect of Accounting Knowledge on MSME Performance

Based on the analysis results, the effect of accounting knowledge on MSME performance obtained a positive regression coefficient of 0.392 with a significance value of 0.000. The significance value of 0.000 is smaller than 0.05

(0.000 < 0.05), thus H2 is accepted. This means that accounting knowledge has a positive and significant effect on MSME performance in Denpasar City.

3) The Effect of Accounting Information System Implementation on MSME Performance

Based on the analysis results, the effect of accounting information system implementation on MSME performance obtained a positive regression coefficient of 0.061 with a significance value of 0.548. The significance value of 0.548 is greater than 0.05 (0.548 > 0.05), thus H3 is rejected. This means that the implementation of accounting information systems has no effect on MSME performance in Denpasar City.

Discussion of Research Results

The Effect of Business Capital on MSME Performance

Business capital is one of the crucial factors in running and developing a business. The larger the capital owned by a business, the greater the opportunity to expand and grow (Salim & Rahmadhani, 2024). Adequate capital allows MSME actors to manage their businesses more effectively and efficiently, which in turn has a positive impact on business performance improvement.

The test results of the first hypothesis regarding the effect of business capital on MSME performance show a significance value of 0.000 with a positive regression coefficient of 0.374. Since the significance value of 0.000 is smaller than $\alpha = 0.05$, the first hypothesis stating that business capital has a positive effect on MSME performance in this study is accepted. This implies that MSME performance in Denpasar City will increase if MSMEs have sufficient capital in their business. These findings are consistent with previous studies that show business capital as an important indicator that can drive business growth and development (Istinganah & Widiyanto, 2020).

This research result is in line with the theory used, namely the Knowledge Based View (KBV) theory, which explains that the resources owned by a company and how the company utilizes them determine why one company's performance is superior to another. This theory views knowledge as the most important and strategic resource in a company. The main resources in an organization or business are not only physical, such as capital, but also knowledge used to manage these resources. In this case, if business capital is managed with adequate knowledge, it will have a greater and better impact on business performance. MSME actors who have the knowledge and skills to use capital more effectively and efficiently, such as cost allocation, financial management, and production planning, will be able to turn capital into a real competitive advantage. These results are consistent with studies by (Aulia & Hidayat, 2021), (Ismartaya, 2021), and (Ahmad Ferdiansyah & Eri Bukhari, 2021), all of which conclude that business capital has a positive and significant effect on MSME performance.

The Effect of Accounting Knowledge on MSME Performance

Accounting knowledge is an essential ability for MSME actors in managing and controlling their business activities. MSME actors with sufficient knowledge are better able to record transactions systematically, prepare financial statements, and evaluate their business's financial condition. This supports more rational and strategic decision-making, such as cost management, production planning, and other areas that contribute to business performance improvement (Eliza et al., 2025).

The test results of the second hypothesis regarding the effect of accounting knowledge on MSME performance show a significance value of 0.000 with a positive regression coefficient of 0.392. Since the significance value of 0.000 is smaller than α = 0.05, the second hypothesis stating that accounting knowledge has a positive effect on MSME performance is accepted. This implies that the higher the level of accounting knowledge possessed by MSME actors, the better their financial management and business performance.

This finding is consistent with the Knowledge Based View (KBV) theory, which highlights that the resources owned by a company and how they are utilized explain performance differences among companies. In this context, accounting knowledge represents a knowledge asset that can improve internal capabilities in financial management and objective performance measurement. Accounting knowledge enables MSME actors to interpret information, understand risks, and optimize the use of resources such as capital and labor more effectively and efficiently. These findings are consistent with research by (Setiawati et al., 2021), (Abdillah et al., 2019), and (Agus Suyono & Zuhri, 2022), all of which demonstrate a positive and significant effect of accounting knowledge on MSME performance.

The Effect of Accounting Information System Implementation on MSME Performance

The implementation of accounting information systems enables MSME actors to manage financial data more quickly, accurately, and efficiently. The existence of an accounting information system facilitates decision-making processes, supports financial planning, and minimizes the risk of recording errors. MSMEs that implement accounting information systems are expected to gain operational advantages, ultimately contributing to improvements in both financial and non-financial performance (Dan et al., 2024).

The test results of the third hypothesis regarding the effect of accounting information system implementation on MSME performance show a significance value of 0.548 with a positive regression coefficient of 0.061. Since the significance value of 0.548 is greater than α = 0.05, the third hypothesis stating that accounting information system implementation has a positive effect on MSME performance is rejected. This implies that, although some MSMEs may have adopted accounting information systems, the implementation has not been optimal or has not provided a significant impact on business performance. Limitations in accounting knowledge

and technological capability among MSME actors often result in underutilization of available systems in decision-making. In Denpasar City, many MSMEs have not fully implemented integrated accounting information systems, with many still relying on manual recording or simple tools like Excel, which do not meet the criteria for integrated systems.

This finding is also consistent with the Knowledge Based View (KBV) theory, which emphasizes knowledge as a strategic resource. The implementation of accounting information systems not only reflects the use of technology but also represents how MSME actors integrate accounting knowledge and IT in managing business processes. Successful implementation requires understanding of accounting, information structure, and data-driven decision-making. Thus, accounting information systems represent knowledge assets that, when fully utilized, add value to business performance. These findings are consistent with studies by (Wahyuni et al., 2021) and (Nusron et al., 2024), which found no significant effect of accounting information systems on MSME performance. However, these results contrast with studies by (Farina & Opti, 2023), (Meylani & Ismunawan, 2022), (Fitriani et al., 2023), and (Amalia, 2023), which report a positive and significant effect.

CONCLUSION AND SUGGESTIONS

Based on the results of empirical testing and discussion, several conclusions can be drawn, among others:

1) Business capital has a positive and significant effect on the performance of MSMEs in Denpasar City. This shows that the performance of MSMEs in Denpasar City will increase if they have sufficient and adequate business capital.

2) Accounting knowledge has a positive and significant effect on the performance of MSMEs in Denpasar City. This shows that the higher the level of accounting knowledge of MSME actors, the more the performance of MSMEs will increase due to good business management.

The application of accounting information systems has no effect on the performance of MSMEs in Denpasar City. This shows that the application of accounting information systems is an important aspect in running a business, because accounting information systems can help business operations to be systematic, fast, and accurate. Although the application of accounting information systems may have been implemented, its implementation has not been optimal or has not provided a real impact on improving business performance.

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