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Determinants and Consequences of Accounting Literacy on the Quality of MSME Financial Statements

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Abstract

Grounded in Human Capital Theory, this study aims to examine the influence of determinant factors (education, accounting training, and business experience) on accounting literacy; to examine the effect of accounting literacy on the quality of MSME financial statements; and to analyze the mediating role of accounting literacy in the relationships between education, accounting training, business experience, and the quality of MSME financial statements. This study uses a quantitative approach with the Structural Equation Modeling–Partial Least Squares (SEM-PLS) method. Data were collected through questionnaires distributed to 86 respondents involved in financial recording and reporting activities.
The study's results show that education and accounting training have a positive and significant effect on accounting literacy, whereas business experience does not. Accounting literacy is subsequently shown to have a positive and significant effect on the quality of financial statements. The mediation analysis indicates that accounting literacy partially mediates the influence of education and accounting training on financial statement quality, but does not mediate the influence of business experience on it. These results confirm that the quality of financial statements can be improved more effectively by strengthening accounting literacy, especially through relevant education and structured, applicable, and sustainable accounting training. This research makes an empirical contribution by treating accounting literacy as an important mechanism linking human resource development factors to the quality of financial statements.

Keywords: accounting literacy; education; experience; quality of financial statements; training

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1. Introduction

MSMEs have a strategic role in the Indonesian economy. According to data from the Ministry of MSMEs, the number of MSMEs in Indonesia will reach approximately 65.5 million in 2025. This sector absorbs around 119 million workers or about 97 percent of the total national workforce, and contributes about 61.9 percent to the national Gross Domestic Product. The data shows that MSMEs not only drive the people's economy but also serve as an important foundation for job creation, income equity, and the strengthening of the national economic structure.

However, the MSMEs' contribution has not been fully supported by adequate business governance, especially in financial recording and reporting. The Ministry of MSMEs' Strategic Plan for 2025 to 2029 shows that MSMEs have new financial statements for 1,058,845 units, or approximately 3.51 percent of the available MSME data. Thus, around 96.49 percent of MSMEs do not have financial statements. These findings show that the issue of MSME financial reporting remains very serious and warrants further study. This problem can be attributed to Indonesians' limited financial literacy. According to BPS data (2023), the Indonesian public's financial literacy level is 66.46%. This percentage shows that the public's understanding of various financial aspects remains inadequate. In the context of MSMEs, these conditions can reflect a gap in understanding, including in accounting literacy. Accounting literacy is an important ability for MSME actors to understand the process of recording, grouping, compiling, and presenting financial information appropriately. Thus, low accounting literacy can contribute to suboptimal financial statement quality in MSMEs.

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Based on this description, it is evident that MSMEs' significant contribution to the national economy has not been fully offset by adequate financial management capacity. Therefore, strengthening accounting literacy is important, as it can be a key factor in improving the quality of MSME financial statements. Accounting Literacy is the ability to understand, use, and interpret accounting information in business decision-making (Nurani et al., 2025).

Previous research has shown that several factors can affect accounting literacy, including level of education (Erlina Widayanti Djatnicka et al., 2024; Nurohmah, 2023; Oktyas & Hatta, 2021; Prayoga et al., 2022; Putri & Salsabila, 2025; Revila & Widajantie, 2024; Widyaningrum & Purwanto, 2022; Yani et al., 2024), and understanding of MSME actors (Natasha & Puspitasari, 2024),

Several previous studies have also shown a relationship between accounting literacy and the quality of financial statements. The level of accounting literacy of MSMEs affects the reliability of financial statements. (Ayulina Oktaviranti & Muhammad Iqbal Alamsyah, 2023; Fadilah, 2024; Pratama et al., 2025). Quality financial statements meet the characteristics of relevance, reliability, comparability, and understandability. (Kieso, D. E., Weygandt, J. J., & Warfield, 2020). In the context of MSMEs, the quality of financial statements remains weak due to low accounting literacy and insufficient compliance with SAK EMKM.

Previous research has indicated a relationship between factors affecting accounting literacy and the quality of MSME reporting. However, the test is carried out separately: testing factors that affect accounting literacy and testing accounting literacy itself regarding the quality of financial statements. This reveals a research gap: the lack of a simultaneous analysis of the determinants of accounting literacy (education, training, and experience) and the quality of MSME financial statements. The novelty of this research is expected to fill a research gap by integrating three determinants (education, training, and experience) to analyze accounting literacy comprehensively. Thus, this study analyzes the influence of determinant factors (education, accounting training, and business experience) on MSME accounting literacy, examines the influence of accounting literacy on the quality of MSME financial statements, and analyzes the role of accounting literacy as a mediating variable in the relationship between determinant factors and the quality of MSME financial statements. The results of this study are expected to provide a new perspective: accounting literacy is not just a technical ability but the result of an interaction among education, training, and experience, which can ultimately affect the quality of MSME financial statements.

2. Literature Review

2.1. Human Capital Theory, Accounting Literacy, and the Quality of Financial Statements

This study is grounded in Human Capital Theory. Schultz (1961) explains that investment in human capital improves individual capacity through education and skill development. Becker (1975) also argues that education, training, and experience are forms of human capital investment that can increase individual knowledge, skills, and productivity. In the context of MSMEs, education can provide basic conceptual understanding, accounting training can strengthen technical accounting skills, and business experience can shape practical knowledge gained through business activities. These forms of human capital are expected to improve accounting literacy, namely the ability of MSME actors to understand, record, interpret, and use accounting information in business decision-making. Accounting literacy is an individual's ability to understand, use, and interpret accounting information in business activities and decision-making. (Nurani et al., 2025). In MSMEs, accounting literacy includes understanding basic accounting concepts, maintaining proper transaction recording practices, preparing simple financial statements, reading reports, and using financial information to manage a business. In this study, accounting literacy is positioned as an intervening variable that links various determinants to the quality of financial statements.

Accounting literacy then becomes an important mechanism that links human capital factors to the quality of financial statements. Based on this theoretical perspective, the quality of MSME financial statements depends not only on business routines but also on the accounting knowledge and competencies possessed by the actors who prepare and use the reports. The quality of financial statements indicates the extent to which they present information that is relevant, reliable, understandable, timely, and useful for decision-making. (Kieso, D. E., Weygandt, J. J., & Warfield, 2020). The quality of financial reports in MSMEs is reflected in the regularity of recording, the accuracy of figures, ease of understanding, and the usefulness of financial information for business management. In this study, the quality of financial statements is a dependent variable.

2.2. Accounting Education and Literacy

Education provides a foundation of knowledge and thinking skills that can help MSME actors better understand accounting concepts. A better level of education tends to make it easier for a person to receive information, understand financial terms, and connect business practices with financial reporting (Lestyawati & Triyanto, 2023; Maris et al., 2022; Marita & Nurasik, 2024; Oktyas & Hatta, 2021; Pratiwi & Pabulo, 2024; Suyono & Fitri, 2023; Widyaningrum & Purwanto, 2022; Winarso & Yuniarto, 2023). Therefore, the first hypothesis is formulated as follows:

H1: Education has a positive effect on accounting literacy.

2.3. Accounting Training and Accounting Literacy

Accounting training is a learning activity that can improve the technical skills of MSME actors in recording transactions, grouping them, preparing reports, and using accounting information. Applicable training is expected to strengthen accounting literacy by providing skills that can be directly applied. (Erlina Widayanti Djatnicka et al., 2024; Husain & Sahara, 2023; Maris et al., 2022; Meiryani et al., 2020; Pratama et al., 2025; Widyaningrum & Purwanto, 2022). Therefore, the following hypothesis is formulated:

H2: Accounting training has a positive effect on accounting literacy.

2.4. Business Experience and Accounting Literacy

Business experience reflects the knowledge and skills acquired by business actors as they operate their businesses. Through experience, MSME actors can learn from real practices, recognize financial information needs, and improve business management (Natasha & Puspitasari, 2024). Therefore, the following hypothesis is formulated:

H3: Business experience has a positive effect on accounting literacy.

2.5. Accounting Literacy and Quality of Financial Statements

Accounting literacy is an important factor in determining the quality of financial statements. The better the ability of MSME actors to understand and apply accounting principles, the better the quality of the reports produced (Ayulina Oktaviranti & Muhammad Iqbal Alamsyah, 2023; Fadilah, 2024; Pratama et al., 2025). Therefore, the following hypothesis is formulated:

H4: Accounting literacy has a positive effect on the quality of financial statements.

2.6. The Role of Accounting Literacy Mediation

Based on the description of the determinants of accounting literacy, namely education, accounting training, and business experience, it is conceptually considered to have the potential to affect the quality of financial statements. This influence occurs because these factors can enhance business actors' understanding, ability, and awareness in recording, processing, interpreting, and presenting financial information more precisely. Thus, accounting literacy acts as an intermediary mechanism that explains the relationship between these determinants and the quality of financial statements. Therefore, the mediation hypothesis in this study is formulated as follows:

H5: Education has a positive effect on the quality of financial statements through accounting literacy.

H6: Accounting training has a positive effect on the quality of financial statements through accounting literacy.

H7: Business experience has a positive effect on the quality of financial statements through accounting literacy.

3. Methods

This study uses a quantitative approach within the explanatory research design. This approach was chosen because the research aims not only to describe phenomena, but also to explain the causal relationships between variables. The research population is MSME actors in Tumang Cepogo, Boyolali Regency. The sample was selected using a purposive sampling technique, with the criterion of MSME actors who have been running a business for at least 2 years, and the data were collected from 86 questionnaires.

The research instrument was a structured questionnaire with a Likert scale from 1 to 5. The independent variables are education, accounting training, and business experience. Accounting literacy is positioned as an intervening variable, while the quality of financial statements is a dependent variable. Data analysis was carried out using Structural Equation Modeling based on Partial Least Squares in SmartPLS. The analysis stages include external model evaluation, inner model evaluation, and indirect or mediation effect testing.

Table 1. Variable operational definition

Variabel	Operational definition	Key indicators
Education	Respondents' level of formal capacity that supports accounting understanding	level of formal education, educational relevance, basic accounting skills, and report analysis ability
Accounting training	Technical learning activities to improve accounting skills	training participation, training benefits, training needs, implementation of training outcomes
Business experience	Accumulated learning of respondents in running a business	length of business, learning from practice, ability to correct mistakes, and business adaptation
Accounting literacy	Ability to understand, use, and interpret accounting information	understanding basic concepts, recording habits, report preparation, and report Interpretation
Quality of financial statements	Quality of financial reports produced by MSMEs	routine, accuracy, easy to understand, punctuality, usability, external compatibility

4. Result and Discussion

4.1. Statistics Descriptive

This study involved 86 respondents as the analysis unit. Based on Table 2, the indicator's average value ranges from 3.756 to 4.128, with a median of 4.000. This condition shows that the majority of respondents gave a positive assessment of the statement items used in the study. Thus, the variables of education, training, experience, accounting literacy, and the quality of financial statements are in relatively good empirical conditions.

The indicator with the highest average value was LT2 (4.128), which pertained to the respondent's ability to distinguish between revenue and operating expenses. These findings show that respondents have a good understanding of the basic accounting concepts, especially in distinguishing between income and expenses. Meanwhile, the lowest average value is found in the QL1 indicator (3.756) for the statement 'I prepare financial statements regularly every period.' Despite being the lowest-scoring indicator, the score remains above the midpoint of the scale, indicating a positive trend. This condition provides the initial basis for respondents' understanding of the basic accounting concept, which is quite good. It has the potential to improve the quality of financial statements. However, the low average value of the QL1 indicator indicates that a good understanding of accounting still needs to be followed by greater discipline and consistency in the preparation of periodic financial statements.

4.2. Evaluation of measurement models

Table 3 presents the results of the measurement model evaluation using the outer loading value. Based on the table, all indicators have an outer loading value above 0.60, ranging from 0.669 to 0.779. The highest outer loading value is 0.779 in the LT1 indicator, while the lowest is 0.669 in the ED4 indicator. These results show that all indicators meet the criteria for convergent validity and are worthy of being retained in the research model.

Furthermore, the results of the reliability test in Table 4 show that Cronbach's alpha is 0.683-0.812, the composite reliability (rho_c) is 0.808-0.865, and the average variance extracted is 0.501-0.533. All composite reliability values have exceeded the 0.70 limit, and all AVE values have exceeded the 0.50 threshold. Thus, the constructs in the model can be declared convergent validity and reliability, allowing the analysis to proceed to the evaluation of the structural model.

Table 2. Descriptive Statistics

		Mean	Median	Minimum	Maximum	Observations	Standard deviation
Education	ED1	3.779	4.000	3.000	5.000	86	0.722
	ED2	4.070	4.000	3.000	5.000	86	0.566
	ED3	4.000	4.000	2.000	5.000	86	0.571
	ED4	4.035	4.000	2.000	5.000	86	0.637
	ED5	4.012	4.000	3.000	5.000	86	0.619
Accounting training	TR1	4.070	4.000	3.000	5.000	86	0.695
	TR2	4.058	4.000	3.000	5.000	86	0.635
	TR3	3.977	4.000	3.000	5.000	86	0.549
	TR4	3.953	4.000	3.000	5.000	86	0.589
Business Experience	EX1	4.000	4.000	3.000	5.000	86	0.647
	EX2	3.942	4.000	3.000	5.000	86	0.598
	EX3	4.047	4.000	3.000	5.000	86	0.627
	EX4	4.000	4.000	3.000	5.000	86	0.571
Accounting literacy	LT1	4.093	4.000	2.000	5.000	86	0.622
	LT2	4.128	4.000	3.000	5.000	86	0.587
	LT3	4.081	4.000	3.000	5.000	86	0.633
	LT4	4.012	4.000	3.000	5.000	86	0.600
	LT5	3.953	4.000	2.000	5.000	86	0.589
Quality of financial statements	QL1	3.756	4.000	3.000	5.000	86	0.589
	QL2	3.872	4.000	3.000	5.000	86	0.606
	QL3	4.000	4.000	3.000	5.000	86	0.571
	QL4	3.919	4.000	3.000	5.000	86	0.595
	QL5	3.953	4.000	3.000	5.000	86	0.589
	QL6	4.012	4.000	3.000	5.000	86	0.600

Table 3. Outer Loadings

	ED	TR	EX	LT	QL
ED1	0.715				
ED2	0.680				
ED3	0.709				
ED4	0.669				
ED5	0.762				
TR1		0.692			
TR2		0.708			
TR3		0.691			
TR4		0.771			
EX1			0.714		
EX2			0.741		
EX3			0.717		
EX4			0.748		
LT1				0.779	
LT2				0.695	
LT3				0.685	
LT4				0.708	
LT5				0.749	
QL1					0.695
QL2					0.737
QL3					0.730
QL4					0.707
QL5					0.691
QL6					0.750

Table 4. Validity and Reliability Test Results

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
ED	0.751	0.753	0.834	0.501
TR	0.683	0.686	0.808	0.513
EX	0.711	0.717	0.820	0.533
LT	0.774	0.780	0.846	0.524
QL	0.812	0.812	0.865	0.516

Discriminant validity was assessed using both the Heterotrait-Monotrait Ratio (HTMT) and the Fornell-Larcker criterion. The use of these two complementary criteria provides a more comprehensive assessment of whether the constructs are empirically distinct. As shown in Table 5a, the HTMT values range from 0.614 to 0.901. Most construct pairs have HTMT values below the recommended threshold of 0.90, providing general support for discriminant validity. However, the HTMT value for the relationship between business experience (EX) and accounting training (TR) is 0.901, which marginally exceeds the recommended threshold.

Nevertheless, business experience and accounting training remain conceptually distinct according to their operational definitions in this study. Business experience refers to knowledge and competencies developed through direct involvement in business activities, whereas accounting training refers to knowledge and skills acquired through structured accounting training or education. Thus, although the constructs are closely related, they capture different sources through which respondents acquire accounting-related knowledge and competence. Henseler et al. (2015) emphasize that discriminant validity should not be evaluated solely by statistical criteria, as theoretical reasoning must also explain why related constructs should remain conceptually distinct. For this reason, the Fornell-Larcker criterion was also examined as a complementary assessment.

Table 5a. Discriminant Validity – HTMT Ratio

	ED	EX	LT	QL	TR
ED					
EX	0.616				
LT	0.66	0.641			
QL	0.614	0.900	0.864		
TR	0.659	0.901	0.887	0.895	

According to Fornell and Larcker (1981), discriminant validity is supported when the square root of the average variance extracted for each construct is greater than its correlations with the other constructs. As presented in Table 5b, the square roots of the AVEs for education (0.708), business experience (0.730), accounting literacy (0.724), quality of financial statements (0.719), and accounting training (0.716) exceed their respective inter-construct correlations. More specifically, the square roots of the AVEs for business experience (0.730) and accounting training (0.716) are both higher than the correlation between these constructs (0.638). This result indicates that business experience and accounting training explain more variance in their respective indicators than they do in each other. Therefore, the Fornell-Larcker results provide complementary support for treating the two constructs as empirically distinguishable.

Table 5b. Discriminant Validity – Fornell-Larcker

	ED	EX	LT	QL	TR
ED	0.708				
EX	0.436	0.730			
LT	0.513	0.494	0.724		
QL	0.477	0.701	0.697	0.719	
TR	0.482	0.638	0.659	0.664	0.716

4.3. Structural Model Evaluation

The results of the structural model evaluation in Table 6 show that the R-square for accounting literacy is 0.487, and the adjusted R-square is 0.468. This means that the variables of education, training, and experience together explained 48.7% of the variation in accounting literacy. In comparison, the remaining 51.3% was explained by other variables outside the research model.

Meanwhile, the R-square for the quality of financial statements was 0.486, and the adjusted R-square was 0.480. These results show that the constructs in the model explain 48.6% of the variation in financial statement quality, while factors outside the study influence the remaining 51.4%. Thus, the structural model has a fairly strong explanatory power, especially since almost half of the variation in accounting literacy and the quality of financial statements can be explained by the construct used in this study.

Table 6. R^2 Structural Model

	R-square	R-square adjusted
LT	0.487	0.468
QL	0.486	0.480

Table 7 show the effect size (f^2), education on accounting literacy has a small effect size of 0.085. The training on accounting literacy has an f^2 value of 0.260, so it is in the medium category. Experience in accounting literacy has an f^2 value of 0.006, so it is classified as very small or not substantive. The accounting literacy on the quality of financial statements has an f^2 value of 0.944, so it is included in the large category. These findings confirm that accounting literacy is the strongest predictor of financial statement quality.

Thus, although several determinant variables contribute to the formation of accounting literacy, the most dominant influence in the model lies in the relationship between accounting literacy and the quality of financial statements. This means that improving the quality of financial statements is more effective through strengthening respondents' understanding, skills, and practical abilities in applying accounting principles.

Table 7. Value f^2

No	Effect	Value f^2
1	Education on accounting literacy	0.085
2	Training on Accounting Literacy	0.260
3	Experience with accounting literacy	0.006
4	Accounting literacy on the quality of financial statements	0.944

The evaluation of structural models is not limited to empirical testing. Still, it can also be explained by the structure of the relationships between variables depicted in the SEM-PLS model.

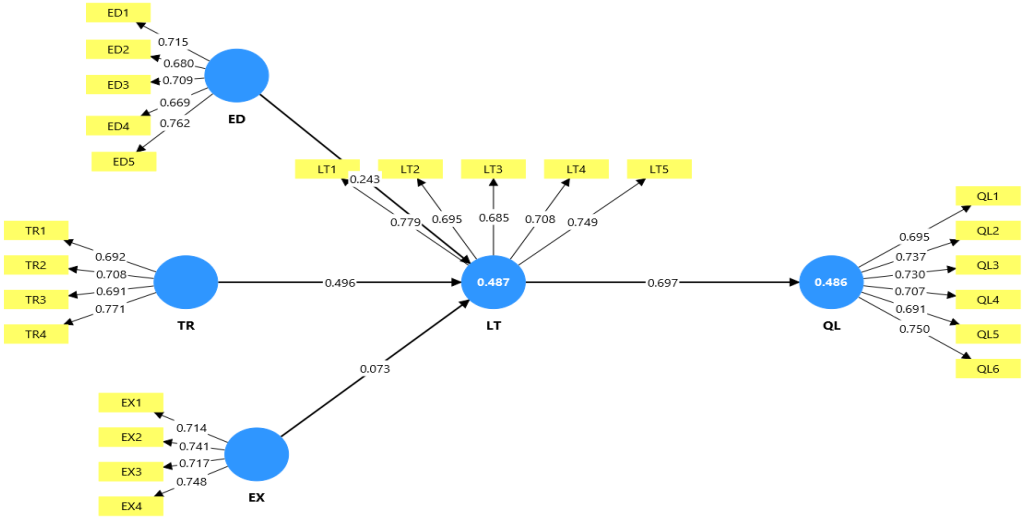


Figure 1. SEM Model Pictures – PLS

Figure 1 presents a research structural model that positions accounting literacy as a central construct for bridging the influence of education, training, and experience on the quality of financial statements. The research model in Figure 1 not only describes the direction of the relationships among variables but also provides a basis for understanding the results of the empirical tests described earlier. The model's visualization is consistent with empirical testing results showing that not all exogenous variables contribute equally to accounting literacy. In this case, Education and training have been shown to have a significant effect, while experience has not. Furthermore, accounting literacy has been shown to have a strong effect on financial statement quality, so this model emphasizes that improving financial statement quality is more effectively achieved by strengthening accounting literacy.

4.4. Hypothesis Test

Based on Table 8, education has a positive and significant effect on accounting literacy, with a path coefficient of 0.243, a t-statistic of 2.641, and a p-value of 0.008. This result indicates that MSME actors with higher levels of education tend to have better accounting literacy. Education may strengthen respondents' ability to understand accounting concepts, interpret financial information, and apply basic reporting principles in business activities. This finding is consistent with the view that accounting literacy is shaped by knowledge, skills, and the ability to use financial information in decision-making (Meidawati et al., 2024; Nurani et al., 2025). Therefore, the hypothesis that education affects accounting literacy is supported.

Accounting training also has a positive and significant effect on accounting literacy, with a path coefficient of 0.496, a t-statistic of 4.313, and a p-value of 0.000. Among the antecedent variables, training shows the strongest contribution to accounting literacy. This finding suggests that practical, structured training is particularly important for MSME actors, as it provides direct exposure to bookkeeping procedures, financial recording, and financial statement preparation. Previous studies have emphasized that limited accounting capacity remains one of the main obstacles faced by micro and small enterprises in maintaining systematic and reliable financial records (Minanari et al., 2025). Thus, training can function as a capacity-building mechanism that helps MSME actors translate accounting knowledge into practical financial reporting activities.

In this context, business experience has no significant effect on accounting literacy, as indicated by a path coefficient of 0.073, a t-statistic of 0.673, and a p-value of 0.501. This finding suggests that the length of business operation alone does not automatically lead to better accounting literacy. A possible explanation is that business experience may remain routine-based and informal when it is not accompanied by reflection, formal learning, accounting training, or exposure to standardized financial reporting practices. This argument is supported by experiential learning theory, which explains that experience becomes meaningful learning only when it is transformed through reflection, conceptualization, and active experimentation (Kolb, 1984). This interpretation is consistent with previous MSME studies showing that business age does not necessarily improve accounting understanding or financial reporting practices. Some previous studies found that business age did not affect MSME owners' understanding of SAK EMKM (Devy, 2023; Lestyawati & Triyanto, 2023; Meidawati et al., 2024; Rahayu et al., 2024), whereas information and socialization significantly improved such understanding. Therefore, MSME actors may accumulate operational experience in production, sales, and customer management, but such experience does not necessarily improve their ability to record transactions, interpret accounting information, or prepare quality financial statements unless supported by relevant accounting knowledge and training.

Furthermore, accounting literacy has a positive and significant effect on the quality of financial statements, with a path coefficient of 0.697, a t-statistic of 14.150, and a p-value of 0.000. This result indicates that accounting literacy is a key determinant of financial statement quality. MSME actors who understand accounting concepts and procedures are more likely to prepare financial reports that are accurate, organized, understandable, and useful for decision-making. This is in line with prior research showing that financial literacy, accounting information systems, and accounting-related capabilities contribute to improving the quality of MSME financial statements (Arrasyidah & Syarif, 2024). Thus, the hypothesis that accounting literacy affects the quality of financial statements is supported.

The R-square value for accounting literacy is 0.487, meaning that education, training, and business experience explain 48.7% of the variance in accounting literacy. Meanwhile, the R-squared value for financial statement quality is 0.486, indicating that accounting literacy explains 48.6% of the variance in financial statement quality. Based on the PLS-SEM interpretation, these values indicate moderate explanatory power, but they should not be overstated, as more than half of the variance remains unexplained by the model (Hair et al., 2022). Therefore, other factors not included in this study may also influence accounting literacy and financial statement quality, such as business size, owner motivation, adoption of digital accounting systems, access to accounting assistance, internal control practices, regulatory awareness, and the complexity of business transactions. This limitation should be considered when interpreting the findings.

Table 8. Direct Impact Test Results

	Original sample	Sample mean	Standard deviation	T statistics	P values
ED -> LT	0.243	0.258	0.092	2.641	0.008*
ED -> QL	0.169	0.183	0.066	2.551	0.011*
TR -> LT	0.496	0.480	0.115	4.313	0.000*
TR -> QL	0.345	0.339	0.084	4.126	0.000*
EX -> LT	0.073	0.094	0.108	0.673	0.501
EX -> QL	0.051	0.067	0.078	0.653	0.514
LT -> QL	0.697	0.708	0.049	14.150	0.000

*Signifikan

Table 9 shows the indirect effects through accounting literacy. Education has a positive and significant indirect effect on the quality of financial statements through accounting literacy, with an indirect coefficient of 0.169, t-statistic of 2.551, and p-value of 0.011. This indicates that education improves financial statement quality by first strengthening accounting literacy. Accounting training also has a positive and significant indirect effect on financial statement quality through accounting literacy, with an indirect coefficient of 0.345, t-statistic of 4.126, and p-value of 0.000. This confirms that training contributes to better financial statement quality primarily by improving respondents' accounting literacy. However, business experience does not have a significant indirect effect on financial statement quality through accounting literacy, with an indirect coefficient of 0.051, t-statistic of 0.653, and p-value of 0.514. This result reinforces the finding that business experience alone is insufficient to improve financial reporting quality unless it is accompanied by the development of accounting literacy.

Overall, the findings highlight the central role of accounting literacy in improving the quality of MSME financial statements. Education and accounting training contribute significantly to accounting literacy, which subsequently enhances financial statement quality. However, the non-significant role of business experience indicates that practical experience must be supported by structured accounting knowledge, reflective learning, and continuous training. Therefore, future MSME development programs should not rely only on the length of business operation but should emphasize continuous accounting education, practical bookkeeping assistance, and regular financial reporting training.

Table 9. Indirect Influence Test Results

	Original sample	Sample mean	Standard deviation	T statistics	P values
ED -> LT -> QL	0.169	0.183	0.066	2.551	0.011*
TR -> LT -> QL	0.345	0.339	0.084	4.126	0.000*
EX -> LT -> QL	0.051	0.067	0.078	0.653	0.514

*Significant

4.5. Discussion

The study's results show that education improves the quality of financial statements through accounting literacy. These findings show that education has an important role in shaping respondents' ability to understand accounting concepts, principles, and procedures. Good education can strengthen accounting literacy, enabling respondents to compile better financial statements, read them, and interpret them. Thus, education not only provides a formal background but also serves as an important basis for improving the quality of financial statements by strengthening accounting literacy.

Training has been proven to have the strongest indirect influence on the quality of financial statements through accounting literacy. The coefficient of 0.345 indicates that training is an important factor in improving respondents' accounting skills. The training provides a more practical and applicable understanding of the recording, grouping, measurement, and presentation of financial information. Therefore, structured and continuous training can strengthen accounting literacy, ultimately improving the quality of financial statements.

On the other hand, experience does not have a significant effect on the quality of financial statements through accounting literacy. These findings show that the length of work experience is not always sufficient to improve the quality of financial statements unless an improvement in accounting understanding accompanies it. Routine experiences without knowledge updates, evaluations, or training can lead individuals to repeat the same work habits without improving their competencies. Thus, work experience needs to be supported by education and training to make a real contribution to improving accounting literacy and the quality of financial statements.

Overall, the results of this study confirm that accounting literacy is an important mechanism that bridges the influence of education and training on the quality of financial statements. Education provides a conceptual foundation, while training provides more applicable technical skills. Both can improve the quality of financial statements by strengthening respondents' accounting literacy. However, work experience alone is not enough to be a determining factor unless it is followed by learning and the updating of accounting competencies.

5. Conclusion

Based on the SEM-PLS analysis, this study shows that education and accounting training have a positive and significant effect on accounting literacy, whereas business experience does not. Furthermore, accounting literacy has been shown to have a positive, significant effect on the quality of financial statements. These results show that accounting literacy is a key factor in improving the quality of financial statements. This research also proves that accounting literacy mediates the influence of education and training on the quality of financial statements.

Theoretically, these findings support the Human Capital Theory, which holds that the quality of financial statements is influenced not only by administrative factors or work experience but also by the accounting literacy of the individuals who compile and use financial information. Thus, the better the respondents' understanding of accounting concepts, principles, and procedures, the better the quality of the financial statements produced. Education provides a conceptual basis, while training provides more applicable technical reinforcement. Therefore, accounting literacy plays an important role as a mechanism that bridges education and training to produce higher-quality financial reports.

In practice, the results of this study imply that MSMEs need to prioritize increasing accounting literacy by strengthening relevant education and providing structured, practical, and sustainable accounting training. Work experience still has practical value, but it is not enough to improve the quality of financial statements if knowledge updates and improvement of accounting competence do not accompany it. Therefore, accounting training programs should focus on the ability to record, measure, classify, present, and interpret financial statements.

This study has several limitations that should be considered when interpreting the findings and developing future research. First, the use of purposive sampling with a single criterion, namely MSME actors who had operated for at least two years, may limit the representativeness of the respondents. Second, the study was conducted within a limited geographic scope, which may affect the generalizability of the findings to MSMEs in other regions with different business characteristics, levels of institutional support, and accounting literacy. Therefore, future research is recommended to increase the number of respondents and broaden the research coverage to include more diverse MSME sectors and locations.

In addition, this study focused on selected variables related to accounting literacy. Future studies may extend the research model by incorporating other relevant factors, such as human resource competence, internal control, organizational commitment, work culture, managerial support, accounting technology utilization, and accounting information system effectiveness. A mixed-methods approach combining quantitative and qualitative methods is also recommended to provide a deeper explanation of the factors that significantly influence accounting literacy. Future research should refine the measurement indicators for these constructs and test the model with a broader, more diverse sample of MSMEs.

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