

The Role of Accounting Information Systems And Technology Innovation on Financial Performance and Business Risks of Msmes

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Abstract

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Accounting Information Systems (AIS) play a crucial role in managing corporate finances, improving the efficiency, accuracy, and transparency of transaction recording and financial reporting. They help management make informed decisions. The use of information technology helps identify potential risks early, monitor conditions in real time, and respond more quickly and precisely. Business risks faced by SMEs include financial and operational risks, reducing the risk of human error, strengthening accountability, and improving internal controls, thus minimizing misuse of funds. The application of technology has a positive impact on SMEs, increasing operational efficiency and competitiveness. SMEs support sales transactions, promotional media, and simplify transaction data storage, build business relationships, and control business operations. These can be done anywhere, regardless of time and space.

INTRODUCTION

An accounting information system aims to provide information for decision-makers. Reports from the accounting information system will provide management with data on problems occurring within the organization, which will serve as useful evidence in determining the appropriate actions. To avoid incorrect decision-making, the information presented must be relevant, accurate, and timely. An information system's performance is considered good if the information produced meets the expectations and satisfaction of its users. Implementing a good accounting information system that meets the company's needs is a must. One way for business organizations to compete with their competitors is by using information systems. Advances in information technology and communication systems currently provide an opportunity to develop the performance of SMEs to become more developed and competitive.

Information technology is the fourth most important resource, after human resources, financial resources, and machine resources, that managers use to build and operate a company. A well-designed and developed accounting information system is crucial to a company's success because it can increase profits (Jannah, 2010). While achieving profits is a short-term goal, the core purpose of implementing information technology, specifically accounting information systems, is to promote efficiency and effectiveness, or productivity, in the company's performance, thereby enhancing its long-term competitiveness in the increasingly competitive business environment. The implementation of information technology and information systems, particularly accounting information systems, will positively impact the long-term performance of SMEs. Therefore, careful planning is needed, designing, and implementing an accounting information system tailored to the company's needs. A careful cost-benefit analysis must be conducted to ensure the positive impact outweighs the risks or costs borne by the company. The question is, to what extent is the

company preparing or planning to procure an information system that is suitable for its business? Why must the use of accounting information systems and information technology be planned? Of course, because the use and design of accounting information systems and the use of information technology involve many parties, numerous processes, and require meticulous attention to detail. Furthermore, procuring an information system also requires cost, time, effort, and attention to ensure that the accounting information system is targeted and effective. Therefore, planning the use of accounting information systems and information technology must be based on a needs analysis.

To support the smooth implementation of an Accounting Information System, it is necessary to design a work procedure system, such as a recording system and the preparation of supporting facilities. Financial transactions are numerous and varied, involving almost every department within a company. To prepare for these various accounting procedures, an information system is required. An Accounting Information System (AIS) is a system consisting of a primary system and supporting systems that are interconnected. An accounting information system involves many components with different functions, but they share the same goal: achieving organizational goals.

Accounting Information Systems (AIS) play a crucial role in improving efficiency in a company's financial management. With technological advancements, AIs not only accurately record transactions but also help generate financial reports that are useful for making more informed decisions. With AIs, accounting processes that were previously time-consuming and prone to errors can now be performed more quickly and efficiently. The presence of AIs provides operational efficiency for companies, lowering costs, and increasing transparency and accountability in financial management. In line with the development of the business world, effective financial management has become a crucial element for achieving long-term success. With the increasing complexity of business operations, companies are faced with the demand to manage cash flow, financial transactions, and financial reports with a high level of accuracy, transparency, and timeliness. To meet these needs, implementing an Accounting Information System (AIS) is a technological solution that plays a role in accelerating financial management, reducing the risk of errors, and increasing efficiency and accountability in managing company funds.

An Accounting Information System (AIS) integrates various functions within the finance department, such as recording transactions, preparing financial reports, and monitoring cash flow and assets. An AIS ensures that the information used in managerial decision-making is more relevant, objective, and accurate. It also contributes to the effectiveness of internal controls, reducing the likelihood of fraud or recording errors. An Accounting Information System (AIS) plays a crucial role in improving the efficiency of a company's financial management. With technological advancements, an AIS not only accurately records transactions but also helps generate financial reports that are useful for making more informed decisions. Information technology innovation can help improve operational efficiency and expand market opportunities. According to Sutrisno (2009:53), a company's financial performance is an achievement achieved over a specific period of time that reflects the company's financial health. The information generated by an information system is a resource for the organization, supporting management in decision-making. Every business hopes to improve its performance. The question of how SME managers perceive the impact of implementing an accounting information system and the use of

information technology certainly requires careful examination, with several research findings as a basis for drawing conclusions from this article.

Based on the description above, the problems discussed in this study can be described regarding the influence of the implementation of accounting information systems on the financial performance of SMEs and its impact on SME business risks. The role of information technology on SME financial performance and its impact on SME competitiveness. The purpose of this study is to analyze the influence of the implementation of accounting information systems in improving performance and its impact on business risks and the competitiveness of SMEs. MSME business competitiveness is a crucial issue that affects the performance and competitiveness of SMEs, therefore an accounting information system is needed that can provide relevant information for decision-making in order to face competition. Therefore, managing business risks is important to improve the performance of SMEs.

Literature Review

Accounting Information System

According to Diana and Setiawati (2011), an Accounting Information System (AIS) is a system that aims to collect, process data, and provide financial reports related to financial transactions. Ultimately, an AIS aims to assist management in making business decisions, help control company operations, and help improve organizational competitiveness through efforts to improve the efficiency and effectiveness of company operations and protect company assets from irregularities or misuse. Furthermore, according to Bodnar and Hopwood (2003), an Accounting Information System refers to a collection of resources, such as labor and equipment, designed to transform financial data and other related information into reports that can be delivered to parties who need them to make decisions. An Accounting Information System is a combination of human and capital resources within an organization that is responsible for presenting financial information, as well as information obtained through the collection and processing of transaction data (Chusing in Hall 2001). An Accounting Information System has unique characteristics because it is applied globally in various organizations and businesses. In other words, this system is designed to be adapted to the conditions and situations relevant to each organization.

An accounting information system must be used or implemented for planning and managing business operations. Furthermore, this system also serves as a control tool, such as in the budgeting process (Nani & Ali, 2020). The value of accounting information for its users depends on how trustworthy it is. Information is considered trustworthy if it meets criteria such as relevance, completeness, accuracy, clarity, and timeliness. To achieve this, accounting information must meet certain attributes, including accuracy, completeness, clear summaries, and timely delivery. These attributes will be discussed further as characteristics of a quality accounting system (Lina & Nani, 2020). The relevance of accounting information depends on the quality of the information characteristics needed by users to make valuable decisions and achieve organizational goals (Nani, 2019). This relevance also depends on how useful the information is in supporting decision-making.

The implementation of an Accounting Information System (AIS) optimizes various accounting processes such as transaction recording, financial reporting, and budget planning and control (Romney & Steinbart, 2018). This helps reduce the possibility of human error, speeds up the recording process, and enables managers to obtain more accurate and up-to-date financial data. The implementation of an Accounting Information System plays a role in increasing the efficiency

of financial management by facilitating fast and accurate data collection and processing. Kumar & Sharma (2019) state that the effective implementation of an AIS can reduce operational costs arising from manual processes, increase transparency in financial reports, and support more strategic decision-making. This is highly relevant in the challenges of globalization and increasingly fierce business competition. In addition, an AIS also makes it easier for companies to implement internal controls, which are crucial for preventing financial misuse and increasing accountability (Bodnar & Hopwood, 2013).

Financial performance

Performance is a description of the level of achievement of the implementation of a program, activity, or policy in realizing the goals, objectives, vision, and mission of an organization as outlined in an organization's strategic planning (Mocheriono, 2012). Bastian (2001) explains that performance is a description of the level of creation of the implementation of an activity, program, or policy in the formulation of an organization's strategic scheme. This means that every organizational activity must be measurable and stated in relation to the achievement of the organization's goals in the future.

Financial performance describes success that is assessed based on numerical measurements in monetary units, namely by comparing it with the established revenue budget. According to Wibowo (2016:160) performance is the result of work that has a strong relationship with the organization's strategic goals, customer satisfaction and provides economic contributions. Meanwhile, according to Sutrisno (2009:53) a company's financial performance is an achievement achieved by the company in a certain period that reflects the company's health level. The existence of interdependence and the characteristics of the Accounting Information System on managerial performance shows a positive response between the influence of information technology, interdependence and the characteristics of the Accounting Information System on managerial performance, indicating a positive influence or impact from the existence of an accounting information system in the company.

The Relationship Between Accounting Information Systems and Financial Performance
According to Sutrisno (2009:53), a company's financial performance is the company's achievements over a specific period, reflecting its health. To improve this performance, management needs to have the ability to see and exploit opportunities, identify problems, and select and implement appropriate adaptation processes.

Innovation and Effectiveness of Information System Technology

Effectiveness can be defined as the degree to which expected results are achieved from the application of information systems technology. Effectiveness is a measure that provides an overview of the extent to which targets are achieved from a collection of resources organized to collect, process, store, and distribute electronic data, then transform it into useful information and knowledge and provide the required formal reports. The effectiveness of accounting information technology and systems is measured by the reliability, accuracy, and precision of information presentation to various user parties. In general, an effective information system is seen from its ability to provide added value to the company. This added value can be seen from the effectiveness of decision-making and the system's ability to store data securely to protect company assets. An effective information system has a positive influence on its users (Antasari, 2015).

An accounting information system is considered successful if it can be run well, is easy to use, and is compatible with relevant technology to meet the company's needs. Mercika (2015)

showed that the effectiveness of an accounting information system has a positive impact on organizational performance in both financial and non-financial aspects. The application of technology to support a company's information system must consider factors that are compatible with the company's needs, both financial and non-financial. The proper use of information technology can improve individual performance, which will directly impact organizational performance, both financially, through increased profits, and non-financially, through employee performance in completing daily tasks and the organization's sustainable competitiveness. Information technology support is closely related to the implementation of tasks, planning, organizing, monitoring, and evaluating individual and group performance within an organization.

Budget considerations and suitability to organizational needs will be important considerations in providing information systems and information technology. This relates to the technological innovation used, which can be improved gradually without having to change or completely replace existing technology. Technological innovation is certainly a consideration because no technology is perfect but will always experience lags from new technological discoveries and developments. Each era produces technology that is appropriate to its respective era or time, therefore technological innovation is something that is commonplace. Therefore, investment considerations (cost with expected benefits or benefits) will be one of the main considerations in implementing information system technology. The large amount of funds invested and the potential risks in the use of information technology, especially information system development in an organization, cause information system development to need to understand the factors that can direct organizational members to use information systems effectively. The use of information technology has a positive impact on company performance. Effectiveness, as a measure of how well targets are achieved, both in terms of quality and time, focuses on the resulting output. Data in the information system should be integrated from all company units or organizations so that it can be used for various tasks within the company.

Information Technology in Risk Management and Governance Improvement

In today's rapidly evolving business landscape, information technology plays a crucial role in risk management and improving corporate governance. Dynamic changes in the business environment demand innovative and adaptive approaches to address increasingly complex risks. Information technology serves as the backbone of risk management and business governance and plays a crucial role in improving corporate performance. With technological advancements, modern businesses are faced with increasingly complex risk challenges. When faced with these challenges, risk management encompasses more than just general risk recognition and mitigation. It also involves integrating information technology as a key instrument. Risk management 4.0 reflects the deep integration of information technology across the enterprise value chain. By employing artificial intelligence algorithms, conducting real-time data analysis, and utilizing advanced analytics platforms, businesses can quickly respond to fluctuations in the corporate landscape. This article will discuss how risk management 4.0 can strengthen a company's ability to manage risk more effectively. One key aspect of risk management enhanced by information technology is in-depth data analysis. By using big data and predictive analytics, companies can identify risk patterns that conventional methods might miss. This helps companies make more timely and accurate decisions.

In the context of governance, information security is a key issue. This article will discuss the challenges of information security in a digitally connected business environment and how information technology can be a strong pillar of defense. With data encryption, sophisticated threat detection systems, and strict access policies, companies can protect their sensitive information and maintain stakeholder trust. Innovation in corporate governance is also driven by information technology. Digital platforms and blockchain technology provide greater transparency and accountability in supply chains and business operations. This article will examine how the use of digital platforms and blockchain can strengthen corporate governance, reduce the risk of fraud, and improve operational efficiency. Today's information technology developments are no longer limited to or exclusive to the middle and upper classes. Even small businesses can benefit from information technology through various devices. Its significant impact makes information technology inseparable from the business and industrial world. Information technology encompasses all media, equipment, systems, and devices that help humans convey and obtain information. This is increasingly important in the digital 4.0 era, where almost every business activity is inseparable from technology and media such as the internet, social media, devices like mobile phones and laptops, and so on. Services such as IT product development are also increasingly important.

Benefits of Information Technology in Various Fields

Information technology brings a variety of specific benefits to industry players and activities across various sectors. Here are some of these benefits, depending on your specific field.

1. **Business.** Information technology helps businesses in various aspects of their operations, from promotions and sales, customer service, transactions, and security. Here are some examples: (a) Increasing efficiency, (b) Facilitating promotions, and (c) Facilitating evaluation and improving business quality.

2. **Information,** The role of information technology in the field of media and information dissemination cannot be denied. Some examples of its benefits are: (a) Delivering urgent information quickly. (b) Giving a voice to those in need. (c) Making it easier to check information.

3. **Health,** The world of health benefits greatly from the development of information technology. Some of the advantages include: (a) Reducing the potential for errors, (b) Providing wider access to information, and (c) Increasing the efficiency of care.

4. **Communication,** Communication is one of the main objectives of information technology development. Its benefits for the communications sector include: (a) Reducing Communication Costs (b) Accelerating Information Delivery. (c) Providing More Equitable Access to Communication.

5. **Culinary,** The culinary industry and food production have benefited a lot from information technology, for example as follows: (a) More efficient ingredient inventory, (b) Facilitating remote ordering services, (c) Expanding the variety of products and services.

6. **Travel and Entertainment:** The travel and entertainment industry has benefited greatly from advances in information technology. Some of the obvious benefits include: (a) Ease of Service and Reservations, (b) Ease of Promotion and Marketing, and (c) Ease of Recommendations.

Technology Challenges for Today's Companies

The benefits of information technology for various industries are clear, but there are also challenges that require solutions or improvements. Here are some challenges related to information technology in various business sectors.

1. **Employment:** The employment sector faces various challenges with the increasing use of information technology. For example, the increasing use of technology in employee data collection increases the risk of personal information being compromised. This risk is even greater for workers involved in the gig economy, who rely heavily on tools and communication channels to earn income. Another challenge is the growing popularity of remote work in the 21st century.
2. **Risk and Crisis Management:** Risk and crisis management are essential for any company or business. The application of information technology simplifies processes such as data collection and evaluation. However, advances in information technology continue to present challenges in this area of business. The benefit of information technology in risk management is increased awareness of business risks.
3. **Operations and Supply Chain:** Companies in the digital age are now required to employ more IT experts or staff to maintain the quality of their operations and supply chains. This requires more capital, as those with this expertise are now highly valued. Companies that lack the capital to hire top IT experts will lose out to those that can. Business owners must also have a contingency plan in case of emergencies such as a pandemic or political uncertainty.
4. **Strategy, business trends, and technological developments in the digital era** confront business owners with a dynamic competitive climate. This influences the strategies they must adopt. Business owners cannot afford to think statically and must be able to implement flexible strategies.
5. **Tax and Financial Reporting:** One of the main challenges facing technology in taxation and financial reporting is efficiency. Companies that still use conventional financial accounting systems tend to have difficulty finding the data they need when needed, such as during audits.

Information Technology Implementation Strategy During the Pandemic

The most significant benefit of information technology today is its support for businesses during the pandemic. Despite this extraordinary event, companies continue to rely on information technology and its supporting tools to adapt to situations such as working from home (WFH) and uncertain economic conditions. The impact of the pandemic on all aspects of business requires the application of information technology specifically tailored to each sector. Here are some strategies for implementing this technology:

1. By determining which core functions can be managed remotely, companies can improve efficiency and security by defining which functions can be managed remotely. Information technology such as the internet, video communication devices, and internal cloud systems assist in managing remote work functions.
2. **Appointing a Single Leader and Support Team for Crisis Management:** Crisis management during a pandemic will require extensive communication, even when most employees may be working from home. In terms of risk management, this situation risks creating bureaucratic red tape to address issues that arise in every business activity.
3. **Strengthening Communication Aspects:** Special situations such as pandemics can slow down or hinder various activities across all business lines, from production, logistics and supply chains, to sales.

4. **Filtering Information Flow:** IT specialists and various communications departments within a company must be skilled at filtering external information. This is useful for preventing misinterpretations of the company's business, economic, and financial conditions. Companies should also train employees in every department to learn how to filter information from sources such as websites and social media, for example, by recognizing news containing exaggerated claims without evidence.

5. **Creating Simulations:** Simulations are crucial, especially when dealing with uncertain conditions. Companies can implement this through risk management systems, considering short- and long-term scenarios. Information technology can be used to analyze data and current situations to create more accurate simulations.

Additional Benefits of Information Technology

In general, the benefits of information technology can be exploited by all types of companies, from small businesses to large corporations. Rapidly changing technological trends in the digital age require companies to adapt quickly. However, there are several general principles that companies must follow if they want to successfully implement this technology. Here are seven strategies for implementing information technology within a company that can be applied across various industries.

1. **Flexibility and Speed:** Functional flexibility is a key requirement for information technology systems across various industries. IT experts often address this by implementing modular systems that accommodate various functions.

2. **Adapting AI technology.** Companies can implement it by leveraging automation and artificial intelligence to support routine functions.

3. **Focusing Technology on Service Aspects:** Today's companies must shift their mindset regarding the types of systems they implement. When selecting a system, companies must base their reasoning on the type and quality of service they will provide to customers. This contrasts with the conventional trend where companies prioritize internal system benefits over customer satisfaction.

4. **Implement Change Gradually.** When companies want to implement new technology systems, they often take a big bang approach, creating a sudden, major overhaul of the system. This can be a shock to unprepared clients and can make it difficult for employees to adapt. This problem is exacerbated if the company serves routine customer needs or has a fast-paced system, such as a bank. Modern information technology should be implemented gradually.

5. **Selecting Solid Supporting Resources from the Start:** Implementing a new information technology system in a company requires solid resource support. Business owners can overcome this by establishing a quality support system from the very beginning of the system replacement planning process.

6. **Focus Technology Selection on Company Strengths.** Medium- to large-sized companies have complex technology categories and specific functions. This can create system complexity that makes it difficult for IT staff to manage. Business owners can simplify management by focusing on their specific business strengths as the primary benchmark.

Value on Customer Satisfaction

Creating customer satisfaction is nothing new in industry, but today's digital industry era has made it a core element of information technology implementation. There are three key

questions regarding customer satisfaction before companies choose which technology to implement:

1. How can this new technology bring more value to customers?
2. What are the most common customer problems and how can this technology help them?
3. Why must we undertake this technological transformation now? What is the urgency?

According to Lubis & Junaidi (2016), IT is a process of exchanging data and messages without limitations of space and time. Information technology can be defined as a set of tools such as information theory hardware, data networks, workstations, and artificial intelligence (robotics), using this information to carry out activities. According to Aufarrakhman & Baridwan (2016) and Sagita et al. (2021), IT is a set of technologies used by an organization to create, process, and distribute information in all its forms. Information technology improves company operations effectively and efficiently, and helps reduce costs in business operations. Information technology, according to Sutabri (2014), is a technology used to process data, including processing, obtaining, compiling, storing, manipulating data in various ways to produce quality information, namely relevant, accurate, and timely information, which is used for personal, business, and government purposes and is strategic information for decision making. Businesses utilize information technology for e-commerce activities, which can provide production flexibility, expand market share, promote businesses online, improve communication and online social networking, utilize data from other regions, and build strong relationships with new business partners. This is why the use of information technology has a significant impact on improving business performance (Laudon & Traver, 2011).

SMEs need to utilize internet-based information technology as a global business communication medium to facilitate real-time marketing and sales processes. Businesses can leverage information technology to promote products, build and maintain business relationships, control business operations, and make everything done within the company easier, more effective, and more efficient. As found by Suryantini & Sulindawati (2020), who found that the use of information technology has a positive impact on SME performance. Similarly, research conducted by Djatikusumo (2016) found that the use of information technology affects SME performance. The use of technology in business management is inseparable from the use of accounting information. According to Baridwan (2000:1), accounting information is the most important part of all information needed by company management, especially that related to a company's financial data. Jones and Rama (2006:12) explain the characteristics of accounting information that influence the quality of accounting information in a company, including the following:

- a. relevant means information that must be able to influence the policies taken by the company by predicting the results of past, present and future events,
- b. timely, which means that the accounting information presented must be timely so that company decision-making can also be carried out at the planned time,
- c. complete means that the accounting information presented must not be half-hearted.

Essentially, accounting information is used by companies to make decisions in managing small businesses, including market development, pricing, and investment decisions. Accurate decision-making can determine the success of a business (Wibowo, 2015). According to Ikhsan &

Ishak (2008), the use of accounting information by MSMEs can provide guidance in selecting the best decisions or actions for allocating resources to business activities. The use of accounting information has a positive impact on MSME performance. Performance is influenced by three factors, as follows.

- a. Individual factors consisting of abilities and skills, background, and demographics.
- b. Psychological factors consisting of: perception, attitude, personality, learning, and motivation.
- c. Organizational factors consist of: resources, leadership, rewards, structure and job design.

Financial performance

Financial performance is an analysis conducted to determine the extent to which a company has implemented its regulations properly and correctly. Financial performance is the output of an organization over a specific period, based on established standards. Simply put, a healthy bank is one that effectively performs its functions. In other words, a healthy bank is one that maintains and preserves public trust, performs its intermediary function, facilitates smooth payment flows, and can be utilized by the government in implementing various policies, particularly monetary policy.

Company performance can be measured by analyzing and evaluating financial reports. Information on past financial position and performance is often used as a basis for predicting future financial position and performance, as well as other matters of direct interest to users, such as dividend payments, wages, security price movements, and the company's ability to meet its commitments when they fall due. Performance is crucial for every company, regardless of its location, as it reflects the company's ability to manage and allocate its resources. Furthermore, the primary purpose of performance appraisals is to motivate employees to achieve organizational goals and adhere to predetermined standards of behavior, resulting in desired actions and results. These standards of behavior can take the form of management policies or formal plans outlined in the budget.

Financial performance is the periodic determination of a company's financial performance based on predetermined targets, standards, and performance. Financial analysis is used to measure financial performance because it involves assessing future financial performance and determining performance excellence. A bank's financial performance can be assessed based on its performance for the previous year and the current year by analyzing financial statements. Financial performance can be assessed using financial ratio calculations. Financial ratios connect two sets of financial data (financial statements), namely the balance sheet and the income statement. These ratio values are then compared with existing benchmarks. Analysis and interpretation of the obtained financial ratio values can provide a better and more in-depth view of financial performance. The objectives of financial performance analysis include:

- a. To determine the success of the company's financial management, especially the liquidity conditions, capital adequacy and profitability achieved in the current year and the previous year.
- b. To determine the company's ability to utilize all its assets to generate profits.

Information Technology Innovation

The current phenomenon is that many business actors do not yet have optimal accounting practices and do not utilize accounting information in MSMEs. In this digital era, accurate, timely, and reliable financial information can be obtained by utilizing AIS supported by the use of information technology (IT) (Listyani et al., 2019). The use of IT by business actors certainly brings economic benefits in terms of effective IT use. Research findings to date can increase the competitiveness of MSMEs by improving their performance. Increased MSME performance can be supported by the use of information technology (Siallagan, 2020). The use of information technology by MSMEs will improve work performance supported by factors of intention and interest (Listyani et al., 2019).

The rapid development of information technology has penetrated almost every aspect of human life, from the simplest to the most sophisticated. Furthermore, keeping up with technological developments has made communication and information sharing easier. This development also impacts the economic sector. The use of information technology in the Industry 4.0 era plays a role in increasing company effectiveness and efficiency. The use of information technology has a positive and significant impact on the performance of SMEs (Siallagan, 2020). Technological innovation plays a significant role in increasing the competitiveness and operational efficiency of SMEs. Rogers' (2003) diffusion of innovation theory serves as an important foundation, with middle theory focusing on how technology can be gradually adopted within organizations. Previous research also shows that while technological innovation can increase efficiency, there are additional risks related to initial investment and technology security, which require careful financial planning (Schilling, 2017). On the other hand, applied change management theory emphasizes that integrating technology into business operations requires planned system changes to avoid new operational risks (Tidd & Bessant, 2013).

MSME Performance

Business performance is a company's ability at a specific point in time. The higher a company's performance, the more successful it is in implementing its strategy (Handika & Baridwan, 2018). Company performance is the extent to which a company increases its revenue relative to its total revenue. There are three assumptions regarding MSME performance. First, MSME performance is often measured quantitatively. Second, performance is generally viewed through financial indicators. Third, success measurement is often used in large companies with structured governance.

METHODS

This scientific article is written using a literature study method or library research by collecting references consisting of several previous studies, then compiling them to produce a conclusion (Mardalis, 1999). The references obtained serve to conclude 1) the role of accounting information systems in SME activities. 2) whether SME actors have applied digital bookkeeping in their bookkeeping. The procedure in this scientific article is carried out with the following steps (Kulthau, 2002): 1. Choosing a theme 2. Exploring information 3. Determining the direction of research 4. Collecting data sources 5. Compiling a report

This research uses qualitative methods to gain a deeper understanding of how financial management and technological innovation impact business risk in Small and Medium Enterprises (SMEs). This method was chosen because it provides flexibility in exploring the experiences and perspectives of research subjects in detail. The target audience is SME owners and managers who have implemented technology in their business operations.

RESULTS AND DISCUSSION

The Impact of the Implementation of Accounting Information Systems on the Financial Performance of MSMEs and its Impact on MSME Business Risks

MSMEs play a crucial and strategic role in the national economy, particularly in employment (Hue et al., 2020) (Ekonomi & Udayana, 2019). The number of MSME entrepreneurs has reached 65.46 million and is predicted to continue to grow in the coming years. This increase in the number of MSMEs has had a significant impact on the Indonesian economy and is supported by various parties, including the government, financial institutions, and the wider community. This has resulted in employment of 119.56 million people and a significant increase in gross domestic product, reaching 60.51 percent in 2019. Previous research has shown that improving MSME performance is challenging (Chit, 2019).

Entrepreneurs need to prepare financial reports because they contain useful information for improving their business performance (Ermawati & Rizka, 2021). The income statement, balance sheet, and notes to the financial statements are financial documents that small businesses must adopt (Indonesian Institute of Accountants, 2016). Business owners must be able to report their finances correctly and refer to financial accounting standards (Ermawati & Rizka, 2021). A study conducted by (Ilarrahmah & Susanti, 2021) explains that financial reports affect the performance of MSMEs. By utilizing AIS for data processing, MSMEs have more reliable information that can assist in decision-making and influence increased business profits. The use of information technology supports the high competitive value of MSMEs. The competitive value of MSMEs can be seen from the financial and time aspects of MSMEs that use information technology, thus assisting in the completion of financial reports. With information technology, work will be completed more easily and quickly, saving time and costs. The partial use of information technology has a positive and significant effect on the performance of SMEs, namely that the better and more optimal SME actors are in utilizing information technology, the more the performance of SMEs will also increase.

Activities conducted online are considered more efficient and effective. Furthermore, online MSMEs can reach a wider range of consumers. Reaching a wider audience will enable MSMEs to generate significant revenue, indirectly contributing to the national economy. The use of information technology has a positive impact on MSME performance, as evidenced by research by Sulindawati (2020), which demonstrated a positive and significant impact on MSME performance.

Accounting information is essential and crucial for understanding business direction and development. Research by Wibowo (2015) and Luther (2016) demonstrates a positive and significant impact on the use of accounting information on the performance of MSMEs. Accounting Information Systems (AIS) play a crucial role in accelerating financial data management. Data management can be automated, reducing reliance on manual systems and accelerating the creation of financial reports. Companies using AIS have shown a significant

reduction in the time required to create financial reports and record transactions. This contributes to a reduced likelihood of human error, which in turn improves the accuracy of financial reports. Accounting Information Systems (AIS) play a role in improving the quality of financial reports by presenting more accurate and detailed data. Several studies analyzed found that companies using AIS produced more transparent financial reports that were in accordance with applicable financial accounting standards (PSAK).

Implementation of information technology and its impact on the financial performance of SMEs and the impact on the competitiveness of SMEs

The results of Eller et al.'s (2020) research show that digitalization or information technology has a positive effect on the performance of SMEs in Austria. Similar results were also found by Azam's (2015) research, which showed that the adoption of information technology by SMEs in India had a significant positive effect on the performance of SMEs in Bangladesh. The research of Odoom et al. (2017) also found that the use of information technology, in this case social media, had a significant positive effect on improving the performance of SMEs in Ghana. Globalization studies have a positive impact on the domestic industrial environment, especially for domestic companies to continue to innovate and compete healthily in international trade. The government as a policymaker must welcome this positive effect to create more favorable conditions for large and small businesses. As economic actors, SMEs have a significant contribution to economic development, but are somewhat pessimistic about their capabilities (Chit, 2019). Mohamad et al. (2017) found that the use of information technology can mediate the influence of investment decisions on the performance of SMEs in Malaysia. Kurniawati's (2019) study in East Java also found that women entrepreneurs have used information technology in the form of e-commerce as a competitive strategy, thereby improving the performance of SMEs. The use of information technology is crucial for improving SME performance in the face of environmental changes and opportunities that are currently evolving in line with information technology.

The Influence of Information Technology Innovation on SME Performance and its Impact on SME Financial Performance

Good financial management and the effective implementation of technological innovation help mitigate SME business risks. In-depth interviews with SME owners revealed that strong financial management capabilities enable SMEs to be better prepared to face financial risks, such as unstable cash flow or increased operational costs. On the other hand, technological innovation also plays a crucial role in improving business efficiency, but brings challenges related to investment costs and data security. There is a relationship between financial management and technological innovation and business risks in SMEs. With proper financial management, SMEs can manage the investments needed for technological innovation, reducing financial risks such as bankruptcy or liquidity problems. Information technology innovation can introduce new risks, particularly technological risks such as cyberattacks or system failures. Information technology can improve business efficiency and effectiveness, positively impacting the overall competitiveness of SME businesses, but it needs to be balanced with adequate business risk management through the implementation of sound risk management. Therefore, sound financial planning is crucial so that SMEs can invest in technology without compromising their liquidity or financial stability. Technological innovation

helps SMEs automate business processes, administration, service, marketing, and customer complaint handling, significantly reducing operational risks and increasing organizational efficiency and effectiveness.

The collaboration between sound financial management and the implementation of appropriate technological innovation is key for SMEs to effectively manage and mitigate business risks. Information technology encompasses the ability to process, edit, store, and modify data with the goal of obtaining high-quality, useful, effective, and efficient information. The use of information technology is currently a key decision for MSMEs, especially millennial businesses such as coffee shops and other businesses with complex activities.

Application of information technology and its impact on the financial performance of MSMEs and the impact on the competitiveness of MSMEs

Without the use of information technology, business actors are left behind in managing inefficient business operations (Lubis & Junaidi, 2016). The use of appropriate information technology is a source of competitive advantage and a means to increase the efficiency and effectiveness of SME management. This is proven by the results of research by Aufarrakhman & Baridwan, (2016); Ilarrahmah & Susanti, (2021) and Fatimah, Siti; Azlina, (2021) that the use of information technology has a significant impact on SME performance. The use of accounting information systems has a positive influence on SME performance because AIS produces financial information that is reliable, relevant, timely, understandable and verified to assist in the economic decision-making process. Ultimately, the use of AIS will improve the performance of SMEs and make SMEs competitive in facing environmental changes. For example, the use of digital bookkeeping has a positive impact on reducing paper use and making it easier for accountants to input and import transaction data. Some online bookkeeping applications in Indonesia include BukuWarung, Aplikasi, Pengelola, and so on. Rapid technological developments have brought about changes in all aspects, one of which is in the field of accounting.

Risk management has enabled companies to identify potential risks early, monitor conditions in real time, and respond more quickly and appropriately. Business risks faced by SMEs include financial and operational risks, and the grand theory of risk management offers a framework for identifying, measuring, and mitigating these risks. Business risks can be anticipated through careful planning and the implementation of mitigation strategies. The implementation of innovative technology supported by solid financial management can mitigate emerging risks, helping SMEs thrive in a dynamic business environment.

CONCLUSION

1. The implementation of an Accounting Information System (AIS) is crucial for managing a company's finances, particularly to improve efficiency, accuracy, and transparency in recording transactions and preparing financial reports. By integrating or combining various financial functions, an AIS enables companies to process financial data more quickly and accurately, ultimately aiding management in making better, more targeted decisions.
2. Implementing an AIS can reduce emerging risks, help SMEs thrive in a dynamic business environment, strengthen accountability, and enhance internal oversight.
3. The implementation of AIS has a positive and significant impact on SME performance by simplifying the management and presentation of financial information. The better the use

of information technology, the fewer errors in financial reporting. This maintains stakeholder confidence in SMEs' ability to present quality financial reports.

4. The use of information technology has a positive and significant impact on the performance of SMEs. Accounting information technology applications such as Akurata, General Ledger, Zahir can help SMEs in recording (inputting) daily financial transactions, making it easier. The results of the study also concluded that the use of information technology has a positive impact on improving overall organizational performance, as evidenced by the positive and significant influence between the use of accounting information on SME performance.

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