



Model of Accounting Information System and SMEs Performance in Contingency Theory Perspectice

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Abstract

The global industry has been affected by the COVID-19 pandemic, particularly small and medium-sized businesses, which has a negative effect on organizational performance, planning, control, and systems. This causes small and medium-sized businesses to take certain actions relating to the use of accounting information systems for their own benefit, which can impact the performance of SMEs that are influenced by environmental and organizational factors. This study seeks empirical evidence of the effect of accounting knowledge, business experience, and business strategy on the performance of small and medium-sized enterprises (SMEs) as mediated by accounting information systems. Utilizing primary data sources, survey data collection techniques, and research samples comprised of SME owners and managers, an explanatory causality approach is utilized. Using a simple random sampling technique, individual units of analysis, a one-shot study time horizon, and path analysis, the data were evaluated. In addition, the results demonstrated that accounting expertise and business experience positively affect accounting information systems. This study also revealed a positive relationship between accounting knowledge and SME performance. SME performance is negatively affected by business experience. In addition, the accounting information system as mediator demonstrates that SME performance increases as a result of business experience.

Keywords: performance of SME's, accounting information system, business experience, accounting knowledge, and business strategy





1. INTRODUCTION

Small and medium-sized businesses (SMEs) are a crucial business strategy for economic development in both developed and developing nations. SMEs play a significant role because, in addition to expanding business opportunities, they also provide community-required employment opportunities. Providing for the necessities of daily living. Additionally, SMEs can make positive contributions at the macro and micro levels. Specifically, to attract labor, increase demand, increase people's purchasing power, and raise investment levels. Therefore SMEs are one of the key pillars of Indonesia's economic growth. In Indonesia, the contribution of SMEs to the gross domestic product (GDP) is 60%, compared to the global average of 50%. However, the ongoing pandemic from 2020 to 2023 has stifled the expansion of small and medium-sized enterprises (SMEs). As sales and profits plunged during the pandemic, a large number of them survived. SMBs should carefully identify existing opportunities and promptly exploit them by modifying and adjusting the products to be sold.

Globally, the efficacy of small and medium-sized enterprises (SMEs) is recognized as a driver of economic development. The Covid-19 pandemic has caused turbulence in all business sectors, including the performance of small and medium-sized enterprises (SMEs). According to a survey conducted by the Center for Economic Research at LIPI, which found that 94.69 percent of businesses experienced a revenue decline in 2022, 2022 will be a challenging year for small and medium-sized enterprises in Vietnam and Indonesia. Covid-19 has also had a significant impact on the sphere of marketing. customer demand has decreased due to the difficulties of online sales, such as insufficient funds, debt, and delinquent credit.

Situational factors influence organizational planning, control, performance, and decision making. Several empirical studies have examined the factors that affect the efficacy of small and medium-sized enterprises (SMEs). Numerous studies have been conducted on the performance of small and medium-sized enterprises (SMEs) where the use of accounting information systems has led to improved SMEs' performance (Lucas, 1975; Esparza-Aguilar et al., 2016; Latifah, 2020; Mitchell et al., 2000; Sing. et al., 2010; Chenhall et al., 2016). SIA is a component of the Management Control System, which is vital to the performance of the company. Decisions are made using accounting information (Davila et al., 2009).

Accounting information systems are beneficial for evaluating business performance and making decisions. Financial accounting information is useful for evaluating business performance and comprehending the capital structure and profitability of a business over





time. Frequently, accounting issues impede the expansion of small and medium-sized businesses. Many small and medium-sized enterprises (SME) are unable to generate financial reports due to a dearth of accounting knowledge and skill (Holmes & Nichols, 1980; Alnajar, 2017; Nainggolan, 2010). This is an impediment to the use of SIA, which impacts the performance of SMEs and taxation. The majority of SME performance failures are attributable to a lack of accounting knowledge (Wichman, 1983). In the meantime, the guidelines for implementing MSME accounting in Indonesia SAK EMKM (Standard Financial Accounting for Micro, Small, and Medium-Sized Entities) have not been optimally utilized.

Several studies have demonstrated that there are differences in SME performance as a result of situational factors due to rapidly changing needs, which affect performance and require organizations to make adjustments, such as lack of accounting knowledge (Alnajar, 2017), business experience (Fitriyah, 2006), and different business strategies (Swamidass and Newell, 1987; Latifah, 2020). SME reluctance to use accounting information systems as part of a management control system to make business decisions is due to a lack of accounting knowledge. Limitations in the use of accounting information systems for SME management. This has resulted in delays in submitting credit applications to banks due to the unavailability of the additional funds needed for SMEs. Irrelevant accounting information is often obtained by banks from SMEs as a reference for refusing to provide credit. Banks do not want to take risks that will cause problems such as bad credit etc.

Alternatively, several studies involving situational factors in the performance of SMEs demonstrate the need for a clear business strategy to anticipate high socio-cultural variations and environmental instability (Bellamy et al., 2019) and increase their competitiveness by providing added value to the SME consumer. Clarity of strategy has implications for organizations that can select strategies to compete in a broad market or specific market segments. Whether the organization adopts a low-cost strategy or a differentiation strategy will determine the outcomes.

Accounting is a crucial indicator of the efficacy of a business. Accounting records provide useful information for decision-making to enhance the management of a company. Accounting information enables small and medium-sized enterprises (SMEs) to identify and anticipate potential problem areas in order to take prompt corrective action. The absence of accounting data is the cause of business failure. Small- and medium-sized enterprises must be able to read and interpret accounting information in order to evaluate business performance and comprehend and interpret profit and loss results. Mitchell, et al. (2000) explain that, in the context of small businesses, accounting information is crucial to the





management of the business and is required for the formulation of various decisions to solve problems such as costs, expenses, and cash flow, along with pertinent information to support control and monitoring.

This study aims to develop a conceptual model of the use of accounting information systems in decision-making and to identify the model of accounting information systems for improving the performance SMEs in Indonesia. This study applies the contingency theory of Outley (1980) to SMEs. According to the theory of contingency, there is no one best way to design an accounting information system or assess the performance of SMEs enterprises. The most effective way to enhance the dependability of AIS and the efficacy of SMEs is to determine whether it has the same effect in all situations. It is contingent upon the company's internal and external environment, business experience, and business strategy.

This research is anticipated to make a substantial contribution: First, broadening the scope of contingency theory to demonstrate its strategic role in the perception of the use of AIS and the performance of SMEs, which are influenced by accounting knowledge, business experience, and business strategy. Second, it should provide an overview of the significance of independent variabel for increasing the use of AIS. Thirdly, policymakers in Indonesia can use the findings of this study to empower SMEs through Situational factors affecting SMEs performance.

2. LITERATURE REVIEW

2.1. The Theory of Contingencies

According to the contingent theory, an organization is an open system influenced by its external environment, which in turn influences its internal activities. According to Lueg and Borisov (2014), this theory is connected to environmental uncertainty, which affects organizational performance through planning, control, and decision-making. Uncertainty about the environment is useful for evaluating potential future hazards and determining the severity of existing dangers to an organization's continued existence. According to Adhikara et al. (2022), this theory can determine whether or not accounting information system characteristics significantly impact the interaction between strategy and organizational behavior regarding environmental uncertainty and organizational performance.

The purpose of contingency theory is to locate the control system that functions most effectively in the most advantageous circumstances. According to the premise, no control system is always relevant in all circumstances (Otley, 1980). Because of this, adjustments are required to ensure that the system will continue to be useful. Consequently, control systems





will be different from one company to the next based on each company's organizational and situational aspects; hence, no one control system can be applied to all conditions. No one best way to operate a business is demonstrated by the fact that numerous companies are forced to adapt the internal structures they employ in order to deal with shifting external conditions.

2.2. Performance of SMEs

Performance is the consequence of the actions taken by the owners and managers in operating the business. Peacock (1988) demonstrates that many SMEs fail due to a lack of accounting information and standardized accounting records. Increasing market share, profitability, enhancing facilities, and meeting required standards have been extensively used as business performance indicators by some researchers (Frolick & Ariyachandra, 2006).

2.3. Accounting Information System

Accounting as an information system that, more specifically, applies the general theory of information to the field of effective economic activity and presents the majority of information in quantitative form(AICPA). Accounting is a component of the system of information. According to Boochholdt (1999), AIS consists of various operating functions that acquire financial data, categorize it, and report financial events. According to Hariadi (2013), accounting information provided to companies in Indonesia as required by law or other regulations is fundamentally financial in nature and is primarily used for decision-making, monitoring, evaluating business performance, and implementing business decisions. The existence of accounting is an information need to remain relevant in business. Accounting data must respond quickly to the needs of business stakeholders such as investors. Often, investors do not evaluate the performance of the target companies in which they invest or intend to invest. Financial statements are a source of information for investors usually prepared by company management. The primary objective of financial statements is to provide accounting information in the form of a company's financial position, cash flow, changes in control, and operating results that can enhance the operational performance of small businesses (McMahon, 2001). Holmes and Nicholls (1988 & 1989) categorize accounting data as Accounting information, budgetary information, and Additional accounting information.





Accounting information SMEs are crucial and play a role in enhancing organizational performance (Kareem et al., 2021; Ismail & King, 2005; Downs & Barclay, 2008). AIS will provide trustworthy data, reduce information errors, and timely decision-making for financial and managerial reports. According to Sajady, Dastgir, and Hashem (2008), AIS is beneficial for facilitating company transactions, internal control, performance evaluation, accounting data quality, and decision-making. Alnajjar (2017), and Latifah et al. (2020) reached the conclusion that the reliability of accounting information influences the operational performance of a company. Utilizing accounting information systems provides decision-makers with information that is beneficial for making decisions and developing strategies to achieve organizational goals and objectives, which should enhance performance.

2.4. Accounting Knowledge

Accounting knowledge is the precision of information regarding the recording, classification, and synthesis of economic events for decision-making. Accounting knowledge is necessary for business proprietors because it plays a significant role in the development of a business and offers numerous advantages in the utilization of accounting data. Management failure will result from a lack of accounting knowledge, making it extremely difficult for businesspeople to determine what policies to implement.

Abdipour (2011) defines accounting knowledge as the ability of SME owners and administrators to develop high-quality accounting information systems. Laudon and Laudon (2005) assert that the accounting knowledge of managers is strongly related to the implementation of accounting information systems. Managers are personnel who have a better comprehension of business needs and who use their knowledge for the survival and prosperity of the company; therefore, they are in a better position to choose the most appropriate accounting information system for the organization (Ismail, 2009). Typically, executive knowledge consists of computer application programs, the internet, email, databases, spreadsheets, word processing, and financial and managerial accounting, which can enhance the efficiency of accounting information systems.

Approximately two decades ago, researchers such as Hussein et al. (2005), Lerwongsatien, and Wongpinunwatana (2003) examined the impact of accounting knowledge on corporate managers in developed nations. Ang et al. (2001) and Alnajjar (2017) compared the function of managers' accounting knowledge in relation to the alignment and misalignment of accounting information systems in their study of Small and





Medium Enterprises. The effect of accounting managers' knowledge on AIS implementation in developing nations where SMBs have recently begun adopting technology. The results indicate that accounting knowledge is related to accounting information systems and that accounting information systems influence both organizational and manager performance. Similarly, Ismail and King's (2007) research findings demonstrate that managers' knowledge of more complex accounting information systems contributes to the efficacy of accounting information systems. Suhairi and Haron (2004), Fitriyah (2006), Shonhadji (2009), and Hudha (2017) explain that accounting knowledge influences the utilization of accounting data in investment decision-making. This indicates that the greater the accounting knowledge of Small and Medium-Sized Enterprise (SME) proprietors, the more effectively accounting information will be utilized.

2.5. Business Experience

Business experience demonstrates the age or duration of SMEs stand from their establishment until the conclusion of research activities (Arizali, 2013). The longer an SME has been in operation, the more experience it demonstrates in managing a business, which results in significant positive or negative business development. The evolution of a business in the context of the market's trade climate and competitive environment. SMEs that have been in operation for longer tend to be more developed because they have accumulated more business management experience. As a result, they are in a stronger position to compete with other businesses and SMBs. Until the current research is conducted, the duration of business reveals the status of a Small and Medium-Sized Business (SMEs) or its age. Assuming that the longer a business operates, it will result in a very significant positive or negative business development. Holmes and Nicholls (1988) demonstrate that the business age influences accounting information providers. The older the business, the more likely it is to utilize accounting information systems, and the better its performance.

However, business experience can influence income levels. Companies with extensive experience in their industry will impact the productivity and expertise of small and medium-sized enterprises (SMEs). This leads to increased efficacy and decreased production costs less than sales results. In addition, trading skills strengthen, and business and customer relationships become more successful (Asmie, 2008). The longer you pursue a career in business, the more you will learn about consumer preferences and behavior. According to Nainggolan's (2016) study, SME performance is significantly affected by business experience.





2.6. Business Strategy

Due to a global perspective that recognizes SMEs as the engine of economic development in both developed and developing countries, SME performance has become a top priority in all nations (Naala et al., 2017). Several studies affirm Swamidass and Newell's (1987) conclusion that successful companies with distinct business strategy influence business performance (Narsa, 2008) Strategy variables are the instruments and methods by which managers influence the external environment, organizational technology, structural arrangements, control culture, and management control systems. Sing. et.al. (2010) contends that the competitiveness and competitive advantage of a company can be enhanced by formulating the right strategy and that the performance, competitiveness, and sustainability of SMEs can be hindered by a lack of focus on coherent business strategy orientation (Acquaah and Agyapong, 2015). Managers have strategic options for positioning their organizations within a given environment. Badri et al. (2000) demonstrated that distinct business performance can result from distinct business strategies.

According to Parnell (2013), the Porter (1980) and Miles & Snow (1978) typology of business strategies is the most frequently cited typology examined by both large and small and medium-sized enterprises. Companies can obtain a competitive advantage through cost leadership or differentiation strategies that are applicable across all industries and organization types and sizes. Leitner and Goldenberg (2010) says the cost leadership strategy is challenging to implement in SMEs which emphasizes cost efficiency and requires substantial financial resources. Strategies for differentiation emphasize rapidity, customer service, and adaptability. This is the ideal strategy for small and medium-sized enterprises (SMEs) because it emphasizes innovative approaches that align with SME characteristics (Lechner and Gudmundsson, 2014). The research of Leitner and Guldenberg (2010) indicates that SME businesses with no business strategy generate less growth than those with a differentiation strategy or a cost strategy. In the meantime, Linton and Kask (2017) concluded that differentiation strategies can impact SME performance when combined with innovation and proactivity. Latifah (2020) and Nicolaou (2000) demonstrate that small and medium-sized enterprises (SME) performance will improve if the differentiation business strategy is mediated by accounting information systems. Computerized Accounting Information Systems can identify customer and supplier invoices and forecast future performance (Ismail and King, 2005).





Pelham (2000) reported that the performance of SMEs with market differentiation strategies is superior to that of SMEs with cost leadership strategies. A cost leadership strategy yields a greater return on investment than a differentiation strategy (Dess & Davis, 1984). Porter's generic strategy can enhance financial performance, Pene's generic strategies impact financial performance, and other outcomes impact financial performance and growth (Moreno & Casilass, 2008).

2.2. Hypothesis

- H1 : Accounting knowledge has a significant effect on accounting information systems significantly.
- H2 : Experience in business has a significant impact on accounting information systems.
- H3 : Business Strategy has a significant effect on Accounting Information Systems
- H4 : Accounting Information Systems has a significant effect on SME Performance
- H5 : Accounting knowledge has a significant effect on SME performance
- H6 : Business Experience has a significant effect on SME Performance
- H7 : Business Strategy has a significant effect on SME Performance

3. RESEARCH METHODS

3.1. Research Design

This research is quantitative research with an explanatory causality type. The data collection method is by survey. This type of research is hypothesis testing. The population in this study were owners and managers of SMEs in Malang City. Respondents from SMEs in MalangCity are owners and managers with a total of 109 people. The sampling technique is purposive sampling. The unit of analysis is the individual. The time horizon uses a one shot study. Research variables include exogenous variables, namely accounting knowledge,





business experience and business strategy. Endogenous variables are accounting information systems and SME performance. Data analysis using Path Analysis.

3.2. Variable Operational Definition

a. Performance SMEs is the result of the company's strategy implemented to attain its financial and market objectives. Five question items created by Khandwalla (1977) and validated by Miller (1987) are used to measure performance with this instrument. Several researchers, including Latifah (2020) and Pollard and Morales (2015), have also utilized this instrument. Respondents were given a choice of responses ranging from 1 (extremely low) to 5 (extremely high).

b. Accounting Information System is the process of using corporate strategy implementation data and financial transactions to make decisions regarding the characteristics of manufacturing SMEs. Marshall and Steinbart (2006), Sori (2016), and Sajady et al. (2008) each contributed seven items to the instrument used to assess the characteristics of accounting information, namely its reliability, relevance, and timeliness.

c. Business Strategy

In this study, business strategy is a differentiation strategy used by SMEs to determine their competitive position as Lechner & Gudmunsson (2014) argue that differentiation is the optimal strategy for SMEs that focus on innovative approaches in creating products and services, relying on speed, customer service, flexibility, and providing added value to consumers. This variable is measured using instruments created by Luo and Zhao (2004), Wolff and Pett (2006), Namiki (1988), and Camison and Villarreal (2010).

d. Accounting Knowledge

This variable's measurement was created by McLeod & Schell (2007), Laudon & Laudon (2005), and Ismail (2009), and consists of six question items pertaining to accounting knowledge, accounting information system knowledge, managerial knowledge, manager/owner experience in accounting, accounting information systems, and managerial.

e. Business Experience

Business experience indicates how long a company has been in operation. The more likely a business is to provide extensive accounting information, the younger its age (Hariyadi, 2013). This study measures the variable age of the company based on the year the company was founded or the length of time the business has been in operation using an ordinal scale that is converted into an interval scale.





4. RESEARCH RESULT

4.1. Table & Figure

Research data were collected through surveys. A total of 120 questionnaires were sent, and 120 were returned. There were 109 questionnaires that could be used. The response rate of the respondents was 96%. The description of the questionnaire is in Table 1.

Table 1. Description Of Distribution And Acceptance Of Questionnaire

Description	Total
The Questionnaire sent	120 copies
Questionnaire Back due to unknown address	-
Questionnaire Shipping Quantity	120 copies
The returned questionnaire cannot be processed	11 copies
Return percentage cannot be processed	9,17%
The questionnaire that can be used	109
Usable percentage	90,83%

4.2 Respondent Demographics

The results showed that male respondents were 44% and female respondents were 56%. The productive age of respondents at the age of 26-50 years is 70%. The majority of respondents' education level is undergraduate as much as 57%. The length of business (business experience) of respondents > 5 years as much as 66% and the majority of respondents are engaged in the food & beverage, furniture & fashion industries.

Table 2. Statistical Descriptive Report

Variable	N	Min	Max	Mean	Std Deviation
Accounting Knowledge	109	1	5	4.23	0.2876





Business Experience	109	2	5	3.51	0.2987
Business Strategy	109	2	5	3.12	1.8962
Accounting Information System	109	1	5	3.32	1.7342
SME Performance	109	1	5	3.87	1.8123

Table 2 shows that the behavior of respondents, namely owners and managers of small and medium-sized enterprises, has high accounting knowledge with long business experience, differentiated business strategies implemented in the moderate category, accounting information systems used, and SME performance in the moderate category.

4.3 Test for Normality

A skewness value of less than 1.96 in Table 3 implies a normal data distribution. The fact that the covariance determinant matrix has a value greater than zero (0.01) indicates that there is no multicollinearity between the independent variables accounting knowledge, business experience, and business strategy.

Table 4. Normality Test

Variable	Min	Max	Skew	c.r	Kurtosis	cr
Accounting Knowledge (X1)	1.000	5.000	-.672	-2.866	4.235	9.026
Business Experience (X2)	3.000	5.000	.130	.554	-1.174	-2.501
Business Strategy (X3)	2.788	4.333	-.111	-.472	-.867	-1.848
Accounting Information System (Z)	3.000	5.000	.534	2.276	1.936	4.125
SME Performance (Y) Multivariate	2.143	5.000	1.552	6.617	3.697	7.878
Covariance Determinant Matrix					.001	





4.4 Test of Data Quality

The purpose of the validity test is to evaluate the measureable concept. The Kaiser Meyer-Olkin (KMO) test was used to determine the validity, with a minimum value of 0.724 and a maximum value of 0.876. The reliability test evaluates the consistency of a single variable, whereas the validity test compares the consistency of two variables. For instance, a variable is reliable if its Cronbach's Alpha value is 0.60. The minimum value of the reliability test was 0.735 and the maximum value was 0.854 (table 4). All utilized instruments can be concluded to be valid and reliable.

Table 5. Data Quality Test

Table with 3 columns: Variable, Validity (KMO), and Reliability (CronbachAlpha). Rows include Accounting Knowledge, Business Strategy, Accounting Information System, and SME Performance.

4.5 Hypothesis Test

Hypothesis testing has been done either simultaneously or partially. The calculation results are in Table 5 below

Table 6. Path Analysis Regression Weight

Table with 6 columns: Variable Effect, Estimate, S.E., C.R., P, and Information. Rows show path coefficients for variables like AK, BE, BS, SIA, PSME and their corresponding statistical results.



4.5. Direct & Indirect Effect

According to the results of this study's Path Analysis test, the results of the

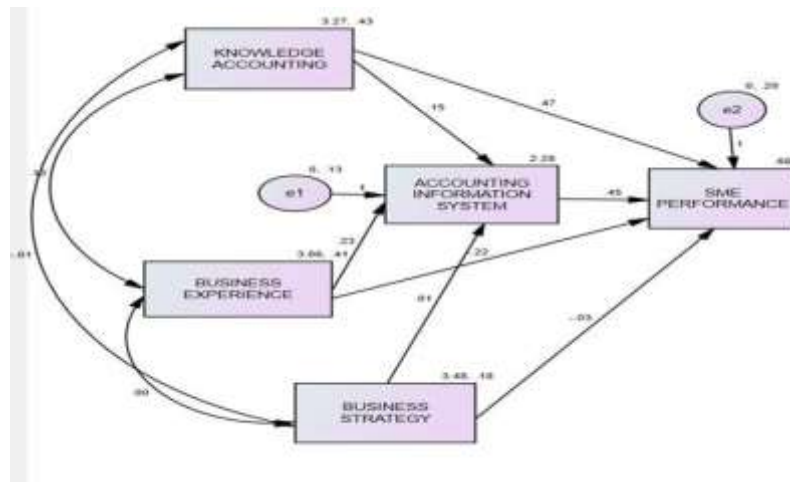


Figure.1 Research Model

calculation of the intervening variables are displayed in table 6 as follows:

Table.6 Intervening Test

Variable	Accounting Knowledge		Business Experience		BusinessStrategy	
	Direct Effect	Indirect Effect	Direct Effect	Indirect Effect	Direct Effect	Indirect Effect
Accounting Information System	0.243	0.000	0.366	0.000	0.009	0.000
SME Performance	0.532	0.077	-0.238	0.105	-0.024	0.003

5. DISCUSSION

5.1. The Effect of Accounting Knowledge on Accounting Information Systems.

Accounting knowledge influences accounting information systems positively. This demonstrates how crucial it is for managers to develop high-quality accounting information. They will use their knowledge in deciding the right accounting information system for the organization better. This knowledge can be in the form of knowledge of SME owners or managers related to accounting application



programs, internet, email, databases, spreadsheets, word processing, financial and managerial accounting which can enhance the efficacy of accounting information systems. Managers are personnel who have a better comprehension of business needs and who use their knowledge for the survival and prosperity of the company; therefore, they are in a better position to choose the appropriate accounting information system for the organization. Typically, executive knowledge consists of computer application programs, the internet, email, databases, spreadsheets, word processing, and financial and managerial accounting, all of which can increase the efficiency of accounting information systems. This study confirms the findings of Ang et al. (2001), Alnajjar (2017), and Ismail and King (2007).

5.2 The Effect of Business Experience on accounting information systems.

Accounting information systems usage is influenced by business experience. Long-established small and medium-sized enterprises exhibit maturity and significant business development in both positive and negative dimensions. Faced with a highly competitive business and trade climate, small and medium-sized enterprises have encountered a variety of challenges and successes. Accounting information systems, such as accounting application programs, financial and managerial accounting, and information operations that serve as a basis for making business decisions, are in greater demand among seasoned SME. These findings align with those of Ang et al. (2001), Alnajjar (2017), and Ismail and King (2007).

5.3 The Effect of Business Strategy on Accounting Information Systems.

The test results indicate that the business strategy variable has no influence on accounting information system utilization. This indicates that the differentiation strategy utilized by SMEs is incapable of increasing the use of accounting information systems. It views the SME organization as an open system that is related to the environment and influences the organization's internal processes from a contingency perspective. During the Covid-19 Pandemic, when environmental uncertainty was high, differentiation business strategy-implemented SMEs were unable to use accounting information systems to enhance SME performance. In a perspective based on contingency, the application of management control system design and accounting information systems depends on the organizational





context and setting in which the system is implemented. The co-19 pandemic appears to necessitate a management control system and a complex accounting information system in order to cope with uncertainty. Accounting information systems alone cannot provide SMEs with precise and accurate data for executing their business strategies. Accounting information systems fail to provide accurate, relevant, accountable, and beneficial information to small and medium-sized enterprises. The findings of this investigation contradict those of Latifah et al. (2020).

5.4 The Effect of Accounting Information Systems on the SMEs Performance

Accounting Information Systems have a positive impact on the performance of SMEs. This demonstrates that the quality of accounting information utilized by SMEs is positively related to their performance and survival. Volatility The need for financial information systems of small and micro enterprises is usually related to the instability of cash and profit positions, as well as dependence on short-term loans. This is important because for optimal business growth, SMEs must utilize an accounting system that will allow them to determine sales volume, profit (loss), assets and liabilities at any given time. Accounting is one type of information that is important for decision-making both inside and outside the organization. He further stated that the quality of this information measured by its relevance and reliability for a particular decision is equally important. The results of this study are consistent with McMahan & Holmes, (1991), Kinney (2001).

5.6. The Effect of Business Experience on SMEs Performance

Business Experience hinders the efficacy of small and medium-sized enterprises. Experience in business hinders the success of small and medium-sized businesses. The lower the performance, or vice versa, as evidenced by this. Although many of these business proprietors have been in operation for a considerable time, their performance could have been better. Ideally, the longer a business operates, the greater its development potential and income. Because expertise and experience allow employers to innovate and be creative, however, this study was conducted on Indonesian SMEs amidst the ongoing Covid-19 pandemic. The existence of a health and economic crisis and government policies related to the Covid-19 pandemic has harmed the performance of small and medium-sized businesses, as evidenced by a decline in sales, capital constraints, distribution barriers, raw material difficulties, and production constraints, among other issues.





During the Covid-19 pandemic, the government has issued several policies to empower SMEs, including infrastructure assistance (production facilities), product exhibitions, training, facilitation of SME product promotions, business incubator programs, and provision of online services. However, these policies have not been optimally implemented. In order to escape the constraints of the recession, the business experience of small and medium-sized enterprises (SMEs) is not a guarantee that they will implement innovations and positively respond to various government policies. In contrast to the findings of Nainggolan (2014), the results of this investigation are dissimilar. Due to precarious conditions, the performance of small and medium-sized enterprises decreased.

5.7. The Effect of Business Strategy on SMEs Performance

The results of the hypothesis test indicate that the strategy has no direct impact on performance. This indicates that the differentiation strategy implemented by SMEs has no direct effect on performance improvement. The differentiation business strategy has a moderate (adequate) value according to the findings of this study, so it fails to establish a strong correlation with SME performance. SMEs are anticipated to be able to produce superior and competitive products despite intense competition and very high environmental uncertainty during a pandemic brought on by the health crisis, as a result of economic and macro factors. It appears that SMEs have failed to implement a differentiation strategy; therefore, they must alter their business strategy by developing distinctive and high-quality products. As Barney (2001) suggests, SMEs can achieve a competitive advantage if they are able to create value and make efficient use of their resources. These findings are consistent with Latifah's (2020) findings.

The results of direct and indirect effect testing on the variables of accounting knowledge, business experience, and business strategy are in Table 6. The indirect value of 0.105 is greater than the direct effect of -0.238, indicating that accounting information systems mediate between business experience variables and SME performance.

6. CONCLUSION

The findings of this study provide support for the contingency theory, which aims to identify accounting information systems in the conditions in which they are most suited and make adjustments to guarantee that they are useful in each context based on organizational aspects and the particular circumstances at hand. According to the findings of this study, the performance of small and medium-sized businesses (SMEs) is influenced simultaneously by





accounting knowledge, business experience, business strategy, and accounting information systems. In addition, accounting information systems mediate the connection between business experience and the success of SMEs, but they are unable to mediate the impact that accounting knowledge and the differentiation of business strategies have on the performance of SMEs.

This study recommends management control systems, innovation, and environmental unpredictability as variables that mediate the relationship between accounting knowledge and SME performance. Another suggestion is to construct a contingency theory by expanding the independent and moderator variables by adding new variables, such as accounting education, locus of control, self-efficacy, mental budgeting, business size, and gender.

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