

Accounting Capability and MSMEs' Access to Government Programs in the TTU-Oecusse Border Region

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Abstract

Purpose: This study examines the effect of accounting capability comprising accounting literacy, financial record-keeping practices, and the use of accounting information on Micro, Small, and Medium Enterprises (MSMEs) access to government programs in the Indonesia-Timor Leste border region, particularly in the North Central Timor Regency.

Methodology: This study employs a quantitative explanatory approach using data from 100 MSME actors selected through purposive sampling in Indonesia. The data were analyzed using multiple linear regression to assess the partial and simultaneous effects of each dimension of accounting capability on access to government programs.

Results: The findings indicate that all dimensions of accounting capability positively and significantly affect MSMEs' access to government programs. Among these, financial record-keeping practices emerged as the most dominant factor, highlighting the critical role of practical financial management.

Conclusions: Accounting capability plays a crucial role in enhancing MSMEs' integration into public policy systems in border regions. In particular, the ability to maintain consistent financial records is more decisive than conceptual understanding or information utilization.

Limitations: This study is limited to the border area of North Central Timor Regency and the Oecusse enclave of Timor Leste and does not incorporate other influencing factors, such as technological access and institutional support.

Contributions: This study contributes to the literature by integrating Institutional Theory and the Resource-Based View to explain MSMEs' access to government programs. It also provides context-specific empirical evidence from a border region, offering policy-relevant insights for improving MSME inclusiveness and sustainability.

Keywords: *Accounting Capability, Accounting Literacy, Financial Record-Keeping, Government Programs, MSME Access*

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1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) are widely recognized as a key pillar of inclusive economic development, particularly in developing countries, due to their significant contributions to job creation, the expansion of local economic bases, and the strengthening of socio-economic resilience (Anggraeni, Zulgani, Hodijah, & Umiyati, 2026; Hans & Sastry, 2025). Within the public policy framework, MSMEs function not only as production units but also as strategic actors in implementing government programs aimed at enhancing community welfare and fostering community-based

economic development (N. T. P. Sari & Kusumawati, 2022). However, the contribution of MSMEs to development is not solely determined by their production capacity and market access.

As public sector governance increasingly emphasizes the principles of accountability, transparency, and administrative responsibility, the administrative and accounting capabilities of business actors have become increasingly critical in enabling MSMEs to integrate into the public policy system (Oktaviani & Ramadani, 2025). Consequently, access to government programs is no longer purely economic in nature but also institutional, requiring adequate administrative readiness and the capacity to report. In this context, the urgency of accounting capability among MSMEs has intensified alongside the implementation of fiscal decentralization and the expansion of public expenditure at the local level. North Central Timor Regency, a border region between Indonesia and Timor Leste, has received substantial allocations of Village Funds since the policy's implementation. Between 2015 and 2024, Village Funds distributed hundreds of billions of rupiah to approximately 160 villages in the region, aiming to stimulate rural economic development by strengthening *Badan Usaha Milik Desa* (BUMDes), village cooperatives, and MSMEs, which are the primary beneficiaries of public spending. This scale of fiscal intervention reflects the government's strong commitment to strengthening local economies through rural development policies.

However, the magnitude of these financial allocations has not been accompanied by effective utilization. Various evaluations and audits of village financial management in North Central Timor Regency reveal significant governance weaknesses, reflected in suboptimal planning, administrative irregularities, and delays in financial accountability. Furthermore, the Regional Inspectorate found potential state losses of approximately IDR 103 billion during the 2015-2024 period. By the end of 2025, approximately 130 villages had their second-phase Village Fund disbursements suspended, totaling IDR 21.8 billion, due to non-compliance with administrative requirements. These conditions suggest that increases in fiscal capacity at the regional level are not necessarily matched by improvements in administrative capacity at the implementation stage.

Within this policy implementation context, limited administrative capacity not only affects village-level governance but also directly shapes the participation patterns of local economic actors, including MSMEs, in accessing Village Fund-based programs. Participation in such programs inherently requires a certain level of administrative and accounting capability, implying that MSMEs with limited capacity are more likely to face barriers in meeting established requirements. To better understand the characteristics of the local economic structure underpinning MSME activities in the region, it is essential to examine the composition of trading facilities by business type in recent years.

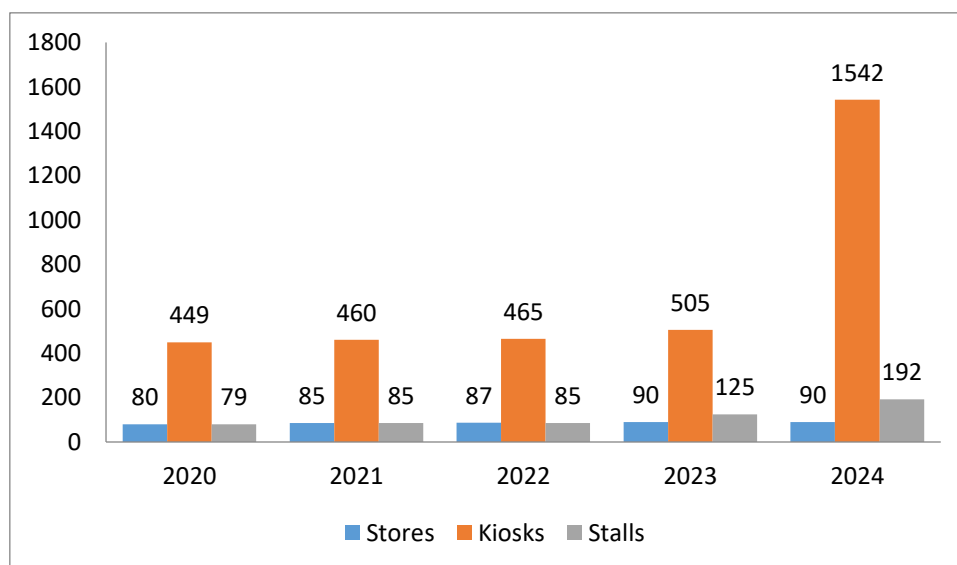


Figure 1. Trends in the number of trading facilities by type in North Central Timor Regency, 2020–2024

As illustrated in Figure 1, the structure of trading facilities in North Central Timor Regency is predominantly small-scale, with kiosks and small retail stalls, which have shown a significant upward trend in the recent years. In contrast, the number of large-scale stores remains relatively stagnant. This pattern indicates that the local economic structure is dominated by micro-scale enterprises with limited organizational and administrative capacity.

The dominance of micro-scale enterprises has direct implications for the internal capacity of business actors, particularly in terms of financial management and administrative practices. Limitations in financial record-keeping, business reporting, and the utilization of accounting information represent major constraints that hinder MSMEs from meeting the accountability standards required by government programs. These challenges are closely linked to the characteristics of human resources, as many MSME actors in the region possess relatively low levels of formal education, which, in turn, affects their understanding of financial management principles and administrative procedures. This finding is consistent with previous studies, indicating that MSMEs in the border areas of North Central Timor are largely dominated by individuals with primary-level education, which contributes to weak financial literacy and managerial capacity ([Pangastuti & Winston, 2024](#)). Consequently, limited MSME access to government programs cannot be attributed solely to policy design but must also be understood in relation to internal capability constraints, particularly those associated with human capital and administrative preparedness. Empirical evidence from the Indonesia-Timor Leste border region indicates that MSMEs' exclusion from government programs is more frequently driven by administrative unpreparedness and low accounting capacity than by the absence of policy support ([Kase, Babulu, & Redjo, 2022](#); [Redjo, 2022](#); [Sengkoen & Pangastuti, 2025](#)). This reflects a structural mismatch between accountability standards embedded in public policy systems and MSMEs' actual capacity to comply with them, conceptualized in this study as an accounting capability gap.

Although the literature has extensively examined financial literacy and accounting practices as determinants of firm performance, such as profitability and sustainability ([Abate & Sheferaw, 2023](#); [Abdallah, Harraf, Ghura, & Abrar, 2025](#); [Alalawi, Thottoli, Al-Shukaili, & Al-Amri, 2025](#)), studies that explicitly link accounting capability to MSMEs' access to government programs remain limited. Furthermore, existing evidence suggests that financial literacy alone does not consistently explain MSME integration into formal systems, as institutional support and governance factors often play a more dominant role ([Padi, Musah, Blay, & Okyere, 2025](#); [Tandilino, Pontoh, Darmawati, & Indrijawati, 2025](#)). These limitations indicate the need for a more comprehensive analytical framework that integrates knowledge, practice, and the utilization of accounting information.

Addressing this gap, this study aims to examine the role of accounting capability comprising accounting literacy, financial record-keeping practices, and the use of accounting information in determining MSMEs' access to government programs in the North Central Timor Regency. By shifting the analytical focus from firm performance to policy access, this study contributes to the literature in three ways: (1) it introduces an integrative conceptualization of accounting capability; (2) it provides empirical evidence from a border-region context characterized by high informality and institutional constraints; and (3) it offers policy-relevant insights to enhance MSME inclusiveness within accountability-driven public sector systems. .

2. Literature Review and Hypotheses Development

2.1 Accounting Capability in the Public Sector Accounting Perspective

From a public sector accounting perspective, accountability and transparency are fundamental principles governing the management of public resources, requiring business actors involved in government programs to comply with administrative and financial reporting standards ([Carnegie & West, 2005](#); [R. Sari & Muslim, 2023](#)). Within this framework, MSMEs are not merely economic actors but also institutional participants who must demonstrate administrative readiness to access public resources. Accordingly, accounting capability can be understood as a multidimensional construct encompassing knowledge (accounting literacy), practice (financial record-keeping), and utilization (use of accounting information), which collectively determine the ability to engage with accountability-

driven policy systems. However, prior studies have largely examined these dimensions in isolation from one another. For instance, a substantial body of literature focuses on accounting literacy as a determinant of financial performance and business sustainability, emphasizing cognitive capacity as the primary driver of MSME development ([Massi, Rod, & Corsaro, 2021](#)). In contrast, other studies highlight the importance of financial record-keeping practices, arguing that the implementation of structured financial systems plays a more decisive role than knowledge alone in improving business outcomes ([Nasrah & Ratna, 2024](#); [Prawestri, 2024](#)). Meanwhile, research on the use of accounting information tends to focus on decision-making quality and managerial effectiveness, suggesting that the strategic utilization of financial data enhances organizational performance ([Saukkonen, Laine, & Suomala, 2018](#)).

Despite these advances, the existing literature has two critical limitations. First, most studies adopt a partial approach by examining each dimension separately without integrating them into a comprehensive framework of accounting capability. Second, most empirical research positions accounting-related variables as determinants of firm performance, with limited attention to their role in facilitating access to public policy programs. This creates a conceptual gap, particularly in contexts where administrative compliance and accountability standards are key entry requirements for accessing government support. From an institutional perspective, this gap can be explained by Institutional Theory, which posits that access to resources is contingent upon the ability of economic actors to conform to formal rules and normative expectations within a system ([Massi et al., 2021](#)). In this context, accounting capability represents an adaptive mechanism that enables MSMEs to respond to institutional pressures imposed by the government. The inability to meet these requirements results in exclusion from formal support systems, even when MSMEs have viable economic potential. This condition reflects what can be conceptualized as an accounting capability gap, namely, the misalignment between policy-imposed accountability standards and the actual capacity of MSMEs to comply with them.

2.2 Accounting Literacy and MSMEs' Access to Government Programs

Accounting literacy refers to the ability of individuals to understand fundamental accounting concepts, including transaction recording, the preparation of basic financial statements, and the interpretation of financial information ([Gunawan, Jufrizen, & Pulungan, 2023](#)). Within the MSME context, this capability forms the cognitive foundation for developing structured financial management and administrative systems. Prior studies consistently identify accounting literacy as a critical factor influencing MSMEs' ability to meet administrative and financial requirements, particularly in accessing external support, such as financing and government programs ([Charfeddine, Umlai, & El-Masri, 2024](#)). MSMEs with limited accounting literacy often face difficulties in preparing financial reports, understanding documentation procedures, and fulfilling formal application requirements, which ultimately restricts their participation in public policy programs ([Anshika & Singla, 2022](#)).

However, accounting literacy should not be viewed solely as a technical skill but also as an enabling mechanism that reduces information asymmetry between MSMEs and policy-implementing institutions. From a public sector perspective, administrative compliance is a prerequisite for accountability, and accounting literacy enhances the ability of business actors to interpret and respond to these requirements. In this sense, accounting literacy facilitates MSMEs' alignment with institutional expectations, thereby increasing their likelihood of accessing government programs and improving their performance. Despite its importance, the effectiveness of accounting literacy may vary depending on the broader institutional and operational contexts. In regions characterized by limited human capital and weak administrative systems, such as border areas, accounting literacy becomes a necessary condition for participation in formal programs, although it may not be sufficient alone. Nevertheless, as a foundational component of accounting capability, higher accounting literacy is expected to improve MSMEs' administrative readiness and increase their access to government programs. Based on the above arguments, the following hypothesis is proposed.

H₁: Accounting literacy positively affects MSMEs' access to government programs

2.3 Financial Record-Keeping Practices and MSMEs' Access to Government Programs

Financial record-keeping practices represent the operationalization of accounting literacy in day-to-day business activities. These practices include systematic recording of transactions, separation of business and personal finances, and preparation of basic financial statements. In the MSME context, this dimension reflects the extent to which accounting knowledge is translated into consistent administrative actions. The existing literature suggests that the primary constraint faced by MSMEs is not merely the lack of knowledge but the inability to implement such knowledge in a structured and consistent manner. Empirical studies show that although many MSME actors are aware of the importance of financial record-keeping, they often fail to apply it effectively in practice ([Nasrah & Ratna, 2024](#); [Prawestri, 2024](#)). This inconsistency leads to weak administrative systems, limiting their ability to provide verifiable financial information required in formal institutional settings.

From a public sector accounting perspective, financial record-keeping is a critical indicator of accountability and administrative compliance. Government programs typically rely on documented financial records to evaluate business feasibility, transparency, and eligibility. Consequently, MSMEs with well-established record-keeping practices are better positioned to meet administrative requirements and gain access to government programs. In this regard, the practical implementation of financial recording systems plays a more decisive role than conceptual understanding. Moreover, financial record-keeping practices serve as a bridging mechanism between informal business operations and formal policy systems. In many developing and peripheral regions, MSMEs operate within informal structures that are characterized by limited documentation and weak administrative routines. The adoption of systematic financial recording enables these enterprises to generate credible and verifiable business information, thereby reducing institutional barriers to accessing programs. Based on these arguments, the following hypothesis is proposed.

H₂: Financial record-keeping practices have a positive effect on MSMEs' access to government programs

2.4 Use of Accounting Information and MSMEs' Access to Government Programs

The use of accounting information refers to the ability of business actors to interpret and utilize financial data to support decision-making processes, including pricing strategies, cost control, and business planning ([Saukkonen, Laine, & Suomala, 2018](#)). Within the MSME context, this dimension reflects a more advanced stage of accounting capability, where financial information is not only recorded but also actively used to guide managerial decision-making. Prior studies indicate that MSMEs that effectively utilize accounting information tend to exhibit more structured management practices and greater readiness to engage with formal institutions ([Ashsifa, Hidayanti, & Mukhlisin, 2023](#); [Latifah, Setiawan, Aryani, & Rahmawati, 2021](#)). The ability to present relevant and reliable financial information enhances the credibility of business actors, which is a critical factor in institutional evaluation processes, particularly in accessing government support programs.

However, the utilization of accounting information among MSMEs remains uneven, especially in developing and peripheral regions. In many cases, financial records are maintained primarily for administrative purposes and are not fully leveraged for analytical or strategic decision making. This limitation suggests that the mere availability of financial information does not automatically translate into improved access to formal support systems unless accompanied by the capability to interpret and apply such information effectively. From the Resource-Based View (RBV), accounting information can be considered a strategic resource whose value depends on the extent to which it is transformed into actionable capabilities. MSMEs that can effectively utilize financial information are more likely to demonstrate adaptive capacity, improve business planning, and align their operations with the requirements of accountability-based policy systems. Consequently, using accounting information enhances MSMEs' ability to meet evaluation standards and increases their likelihood of accessing government programs. Based on these arguments, the following hypothesis is proposed.

H₃: The use of accounting information has a positive effect on MSMEs' access to government programs

3. Methodology

This study employs a quantitative, explanatory research design to examine the causal relationship between accounting capability and MSMEs' access to government programs. The explanatory approach was adopted because the study seeks to describe the phenomenon and test the effects of independent variables on the dependent variable through previously formulated hypotheses (Bentouhami, Casas, & Weyler, 2021). The research was conducted in North Central Timor Regency, a border region in East Nusa Tenggara that directly borders the Oecusse Enclave. The selection of this location is based on its distinct characteristics, including a high level of economic informality, predominance of micro-scale enterprises, and a relatively significant level of participation in government programs, particularly through the Village Fund scheme. Moreover, border regions exhibit unique institutional dynamics, making them a relevant context for examining the relationship between the administrative capacity of business actors and their access to public policies. These contextual characteristics provide a strong empirical basis for analyzing how accounting capabilities influence MSMEs' engagement with government programs. To provide spatial context, a location map illustrates the geographical positions of the North Central Timor Regency and the Oecusse Enclave within the Indonesia-Timor Leste border region.



Figure 2. Research location map in the border region of North Central Timor Regency and the Oecusse Enclave, Timor Leste

Figure 2 shows the population of this study consists of all Micro, Small, and Medium Enterprises (MSMEs) operating in North Central Timor Regency. Due to limitations in accessing the entire population, a purposive sampling technique was employed based on specific criteria: (1) business actors who have operated for at least one year, (2) those with ongoing business activities, and (3) those who have experience or potential in accessing government programs. A total of 100 respondents were selected for the study. This sample size is considered adequate for multiple linear regression analysis, as it meets the minimum threshold suggested in the literature, which recommends a sample size of at least 50–100 observations for models with several independent variables (Hair Jr, Howard, & Nitzl 2020). Furthermore, the ratio between the number of observations and estimated parameters in this study satisfied the general statistical requirements, ensuring sufficient statistical power and stability of the parameter estimates.

This study involved one dependent variable and three independent variables. The dependent variable is MSMEs' access to government programs, which reflects their ability to benefit from public policy initiatives. The independent variables were accounting literacy, financial record-keeping practices, and the use of accounting information. These three variables represent the core dimensions of accounting capabilities in the MSME context. To ensure construct clarity, each variable was operationalized with measurable definitions and relevant indicators. All variables were measured using a four-point Likert scale. The detailed operational definitions, indicators, and references are listed in Table 1.

Table 1. Operationalization of research variables

Variables	Operational Definition	Indicators	References
Accounting Literacy (AL)	The ability of MSME actors to understand basic accounting concepts required for business management.	<ol style="list-style-type: none"> 1. Understanding transaction recording. 2. Understanding basic financial statements. 3. Understanding cash flow. 4. Understanding profit and business costs. 	(Abate & Sheferaw, 2023 ; Silaen & Tulig, 2023)
Financial Record-Keeping Practices (FR)	The extent to which financial recording is systematically and consistently implemented in business activities is also considered.	<ol style="list-style-type: none"> 1. Routine transaction recording is also important. 2. Separation of business and household finances. 3. Preparation of basic financial statements: 4. Consistency in financial records. 	(Barna, Ionescu, & Ionescu-Feleagă, 2021 ; Poppe, Vrolijk, & Bosloper, 2023)
Use of Accounting Information (AI)	The ability of business actors to utilize financial information for decision-making.	<ol style="list-style-type: none"> 1. The use of financial reports in decision-making. 2. Cost control practices. 3. Financial-based business planning: 4. Performance evaluation based on financial data: 	(Saukkonen et al., 2018 ; Socea, 2012)
Access to Government Programs (AGP)	The ability of MSMEs to obtain benefits from government programs is based on public policy.	<ol style="list-style-type: none"> 1. Ease of accessing program information. 2. Ease of meeting administrative requirements: 3. Frequency of participation in the programs. 4. Success in obtaining support or programs. 	(Lubis & Sunarmi, 2022 ; Zainuri, Yasin, Amijaya, Wilantari, & Vipindrartin, 2025)

Data analysis in this study employed a multiple linear regression model to examine the effect of each independent variable on the dependent variable. The regression model is specified as follows.

$$AGP = \beta_0 + \beta_1AL + \beta_2FR + \beta_3AI + \beta_3AI + \varepsilon \quad (1)$$

Where:

- AGP = Access to Government Programs
- AL = Accounting Literacy
- FR = Financial Record-Keeping Practices
- AI = Use of Accounting Information
- β_0 = Constant term
- $\beta_1, \beta_2, \beta_3$ = Regression coefficients
- ε = Error term

The model enables the identification of the relative contribution of each independent variable in explaining variations in MSMEs' access to government programs ([Valentini et al., 2021](#)). Before conducting the regression analysis, data quality tests were performed to ensure that the research instruments accurately and consistently measured the intended constructs. Validity testing was conducted using the Pearson product-moment correlation approach, where each indicator's correlation coefficient (r-value) was compared with the critical r-table value at the 5% significance level. Indicators with r-values exceeding the r-table threshold were considered valid, indicating that they adequately

represented the underlying construct. Reliability testing was assessed using Cronbach's alpha coefficient to evaluate the internal consistency of each variable. A Cronbach's alpha value greater than 0.60 was considered acceptable, indicating that the measurement items consistently captured the intended construct. In addition to instrument testing, classical assumption tests were performed to ensure that the regression model satisfied the Best Linear Unbiased Estimator (BLUE) criteria. These tests include normality, multicollinearity, and heteroskedasticity tests, which are essential for ensuring the validity and reliability of the estimated parameters ([Irrawati & Mukaramah, 2024](#)).

This study adheres to the widely recognized principles of research ethics in social sciences. Prior to data collection, all respondents were informed of the study's objectives, the type of data collected, and their rights as participants. Participation was entirely voluntary, and informed consent was obtained from all the respondents. The confidentiality of respondents' information was ensured through data anonymization, preventing the identification of individuals or specific business units in the results. All data were used solely for academic purposes and were stored in accordance with established research data security standards. Accordingly, this study was conducted in compliance with the ethical principles of integrity, confidentiality, and respect for participants ([Nii Laryeafio & Ogbewe, 2023](#)).

4. Results and Discussions

The characteristics of the respondents in this study included gender, age, education level, and business duration. These variables describe the demographic and business profiles of MSME actors in the North Central Timor Regency. Gender reflects the roles of men and women in economic activities; age is associated with productivity and experience; education level indicates cognitive capacity and understanding of administrative and accounting practices; and business duration represents accumulated experience and business resilience. From a conceptual perspective, these characteristics are not merely descriptive; they may also influence the accounting capabilities of the business actors. For instance, education level is closely linked to the ability to understand accounting concepts. Simultaneously, business experience may shape the consistency of financial recording practices and the effective use of accounting information. Therefore, these characteristics affect MSMEs' ability to meet administrative requirements and, ultimately, their access to government programs and support.

Table 2. Respondent characteristics

Characteristics	Frequency	Percentage (%)
Gender		
Male	42	42
Female	58	58
Age		
25-35 years	29	29
36-45 years	48	48
≥ 46 years	23	23
Education Level		
Primary School	31	31
Junior High School	45	45
Senior High School	17	17
Diploma	5	5
Bachelor's Degree	2	2
Business Duration		
1-5 years	28	28
6-10 years	51	51
≥ 11 years	21	21

Table 2 shows that the majority of respondents are female (58%), indicating the significant role of women in MSME activities in the border region of North Central Timor Regency. This finding reflects the increasing participation of women in microscale economic activities, particularly in informal and household-based enterprises. In terms of age distribution, most respondents fell within the productive

age group of 36-45 years (48%), suggesting that individuals with substantial working experience and economic responsibility largely drive MSME activities in the region. This demographic structure may support business sustainability; however, it does not necessarily guarantee adequate administrative and accounting capabilities.

The education profile shows that most respondents have relatively low levels of formal education, with 76% having only primary and junior high school education. This implies limited cognitive capacity in understanding accounting concepts and administrative procedures, which may constrain the development of structured financial management practices. Consequently, low educational attainment can be a critical factor underlying weak accounting capabilities among MSMEs. Regarding business duration, most respondents (51%) operated their businesses for 6-10 years, indicating moderate business experience. While this suggests a certain degree of business resilience, experience alone does not automatically translate into improved administrative or accounting practices, particularly in the absence of formal training or institutional support. Overall, these findings highlight that MSMEs in the study area are characterized by strong participation and experience but limited human capital capacity, particularly in education. This structural condition provides an important context for understanding the role of accounting capability in determining MSMEs' access to government programs.

4.1 Validity and Reliability Testing

Validity and reliability tests were conducted to ensure that the research instruments accurately and consistently measured the intended constructs. The test results summary is presented in Table 3 as a basis for assessing the adequacy of the measurement instruments prior to further analyses.

Table 3. Summary of validity and reliability test results

Variables	Item	R _{value}	R _{table}	Cronbach's Alpha	Remarks
Accounting Literacy (X ₁)	X _{1.1}	0.775	0.1975	0.807	Valid and Reliable
	X _{1.2}	0.814			Valid
	X _{1.3}	0.904			Valid
	X _{1.4}	0.689			Valid
Financial Record-Keeping Practices (X ₂)	X _{2.1}	0.810	0.1975	0.732	Valid and Reliable
	X _{2.2}	0.711			Valid
	X _{2.3}	0.747			Valid
	X _{2.4}	0.714			Valid
Use of Accounting Information (X ₃)	X _{3.1}	0.704	0.1975	0.641	Valid and Reliable
	X _{3.2}	0.614			Valid
	X _{3.3}	0.755			Valid
	X _{3.4}	0.702			Valid
Access to Government Programs (Y)	Y ₁	0.936	0.1975	0.885	Valid and Reliable
	Y ₂	0.726			Valid
	Y ₃	0.933			Valid
	Y ₄	0.863			Valid

The results in Table 3 indicate that all measurement items have correlation coefficients (r-values) exceeding the r-table value (0.1975), confirming that all indicators are statistically valid. This suggests that each item can accurately measure its intended construct. Furthermore, the reliability test results show that all variables have Cronbach's alpha values above the commonly accepted threshold of 0.60, indicating satisfactory internal consistency. Specifically, accounting literacy (0.807), financial record-keeping practices (0.732), and access to government programs (0.885) demonstrated strong reliability, while the use of accounting information (0.641) met the minimum acceptable level. Overall, these findings confirm that the research instruments are valid and reliable, and therefore suitable for further statistical analysis.

4.2 Classical Assumption Tests

In multiple linear regression analysis, classical assumption tests are required to ensure that the estimated model satisfies the Best Linear Unbiased Estimator (BLUE) criteria, thereby producing valid and unbiased parameter estimates (Irrawati & Mukaramah, 2024). In this study, the classical assumption tests include the normality test to examine the distribution of the data, multicollinearity test to detect potential correlations among independent variables, and heteroskedasticity test to assess the homogeneity of residual variances. In addition, an autocorrelation test was conducted to ensure that the model residuals were uncorrelated. The results of the classical assumption tests are presented in Table 4.

Table 4. Summary of classical assumption test results

Variables	Classical Assumption Tests			
	Jargue-Bera test (P-value)	Prob. Chi-Square(2) (P-value)	Prob. Chi-Square (14) (P-value)	VIF Values
Residual	0.000024	0.5272	0.4095	
Accounting Literacy				2.588413
Financial Record-Keeping Practices				2.434960
Use of Accounting Information				1.289522

Based on Table 4, the results of the normality test using the Jarque–Bera statistic indicate a p-value of 0.000024, which indicates that the residuals are not normally distributed. However, in the context of regression analysis with a relatively adequate sample size, violations of the normality assumption do not pose a serious problem because the parameter estimates remain consistent. This is in line with the asymptotic theory, which suggests that deviations from normality are not a major concern in sufficiently large samples. Furthermore, the results of the autocorrelation test showed a chi-square probability value of 0.5272 ($p > 0.05$), indicating the absence of autocorrelation in the model. The heteroskedasticity test also yielded a p-value of 0.4095 ($p > 0.05$), suggesting that the model was free of heteroskedasticity. In addition, the multicollinearity test results indicate that all independent variables have Variance Inflation Factor (VIF) values below the commonly accepted threshold of 10, namely 2.588413 for accounting literacy, 2.434960 for financial record-keeping practices, and 1.289522 for the use of accounting information. These values indicate that there is no multicollinearity among independent variables. Overall, these findings demonstrate that the regression model satisfies the classical assumptions and is, therefore, appropriate for further analysis.

4.3 Multiple Linear Regression Analysis

Multiple linear regression analysis was employed to examine the effect of accounting capability proxied by accounting literacy, financial record-keeping practices, and the use of accounting information on MSMEs' access to government programs. This model enables the identification of both partial and simultaneous effects of each independent variable in explaining variations in the dependent variable. The regression model estimation results are shown in Table 5.

Table 5. Results of multiple linear regression analysis

Variables	Coefficient	Std. Error	t-Statistic	p-value.
C	-1.377993	1.024383	-1.345192	0.1817
Accounting Literacy (AL)	0.372282	0.095904	3.881823	0.0002
Financial Record-Keeping Practices (FR)	0.483347	0.101315	4.770733	0.0000
Use of Accounting Information (AI)	0.257193	0.080279	3.203758	0.0018
R-squared	0.698348			
Adjusted R-squared	0.688921			
F-statistic	74.08254			
Prob (F-statistic)	0.000000			

Based on the estimation results in Table 5, the regression model can be expressed as follows:

$$Y_{AGP} = -1.377993 + \underset{(0.0002)}{[0.372282]} _AL + \underset{(0.0000)}{[0.483347]} _FI + \underset{(0.0018)}{[0.257193]} _AI + \Sigma \quad (2)$$

Based on the regression equation, the estimated constant value was -1.377993. This value indicates that, in the absence of changes in accounting literacy, financial record-keeping practices, or the use of accounting information, MSMEs' access to government programs tends to remain low or to decline. Furthermore, each independent variable exhibited a positive effect on MSMEs' access to government programs, as reflected in the respective regression coefficients. Accounting literacy has a coefficient of 0.372282, financial record-keeping practices 0.483347, and the use of accounting information, 0.257193. These results indicate that improvements in each dimension of accounting capability contribute to enhanced MSME access to government programs, albeit with varying degrees of influence across variables.

4.4 Simultaneous Test (F-Test)

The F-test was used to determine whether all independent variables jointly exerted a significant effect on the dependent variable in the regression model. Based on the results presented in Table 5, the F-statistic is 74.08254, and the probability value is 0.000000, which is lower than the significance level of 0.05. This finding indicates that accounting literacy, financial record-keeping practices, and the use of accounting information have a statistically significant effect on MSMEs' access to government programs. Accordingly, the regression model employed in this study was statistically significant and demonstrated a good fit, indicating its adequacy in explaining the relationship between the independent and dependent variables.

4.5 Coefficient of Determination (R²)

The coefficient of determination (R²) was used to assess the extent to which the independent variables explained the variation in the dependent variable within the regression model. Based on the results presented in Table 5, the R-squared value was 0.698348. This indicates that approximately 69.83% of the variation in MSMEs' access to government programs can be explained by accounting literacy, financial recordkeeping practices, and the use of accounting information. The remaining 30.17% was influenced by other factors not included in the model.

4.6 Discussion

4.6.1 Accounting Literacy and MSMEs' Access to Government Programs

The results indicate that accounting literacy positively and statistically significantly affects MSMEs' access to government programs. This finding suggests that accounting literacy should not be understood merely as a technical capability but rather as a fundamental enabler that shapes MSMEs' administrative readiness to engage with formal policy systems. In the context of North Central Timor Regency and, more broadly, East Nusa Tenggara, this relationship becomes particularly relevant given the structural limitations of MSME actors, including low levels of formal education, limited digital literacy, and weak financial management capacities. These conditions constrain business actors' ability to prepare accurate financial records and comply with administrative requirements, thereby limiting their access to government programs (Pangastuti, Nalle, Rado, & Kolo, 2023). Consequently, despite the availability of various government programs, administrative capacity constraints remain the primary barrier to access.

From an analytical perspective, this finding reflects the conditional nature of access to government programs, which is inherently dependent on administrative compliance and the capacity to report. MSMEs with higher accounting literacy levels are better positioned to understand documentation procedures, prepare financial statements, and interpret program requirements. Consequently, they are more capable of aligning their internal business practices with the accountability standards imposed by public institutions. In this sense, accounting literacy functions as a mechanism that reduces information asymmetry between MSMEs and policy-implementing institutions, thereby facilitating their integration into the formal economic system. These findings can be further explained through the lens of

Institutional Theory, which emphasizes that access to formal resources is contingent upon the ability of economic actors to conform to established rules, norms, and accountability standards (Nalle, Suman, Kaluge, & Ekawati, 2025). In this context, MSMEs with limited accounting literacy face a higher risk of administrative exclusion not necessarily due to a lack of economic potential, but rather due to their inability to meet institutional expectations (Harun, Nurain, & Nurwani, 2025). This highlights how micro-level capability constraints can translate into structural barriers within policy implementation systems.

Empirically, this result is consistent with previous studies demonstrating that financial and accounting literacy play a critical role in enhancing MSMEs' access to formal economic opportunities, including government programs and financing schemes (Harun et al., 2025; Rizky 2019). However, this study extends the existing literature by emphasizing that the role of accounting literacy becomes more pronounced in border regions, where human capital limitations, infrastructural constraints, and restricted access to information intensify administrative barriers (Miran et al., 2025). In such contexts, accounting literacy is a necessary condition for participation in government programs, although it may not be sufficient in the absence of complementary institutional support. Furthermore, these findings align with the broader literature, highlighting the importance of human and social capital in enhancing MSMEs' access to formal resources (Hj Talip & Wasiuzzaman, 2024). Accounting literacy, as a component of human capital, contributes to MSMEs' ability to interpret and respond to administrative requirements embedded in public policy frameworks (Karatzimas 2020). Nevertheless, several studies suggest that accounting literacy alone is insufficient, if not supported by practical implementation and institutional facilitation. Therefore, its role should be understood as part of a broader capability structure rather than as a stand-alone determinant.

From a policy perspective, these findings imply that efforts to improve MSMEs' access to government programs should prioritize enhancing accounting literacy through context-sensitive and practice-oriented interventions. Training programs should emphasize simplified financial concepts, practical applications, and continuous mentoring tailored to the characteristics of micro-scale enterprises in border areas. Additionally, integrating accounting literacy initiatives with MSME digitalization programs can strengthen administrative capacity sustainably, enabling business actors to understand and effectively apply accounting principles in daily business activities. At the institutional level, strengthening the role of local government agencies particularly the Dinas Perindustrian, Perdagangan, dan Koperasi Kabupaten Timor Tengah Utara is essential for designing MSME empowerment programs that go beyond financial assistance and focus on administrative capacity building. Village-level institutions, such as *Badan Usaha Milik Desa* (BUMDes), can also function as intermediary organizations that support MSMEs in financial record-keeping and administrative compliance. Moreover, higher education institutions, particularly Universitas Timor, have a strategic role in strengthening the MSME ecosystem through the implementation of the Tri Dharma of Higher Education, including research, training, and community engagement initiatives aimed at enhancing the accounting capability of MSME actors.

4.6.2 *Financial Record-Keeping Practices and MSMEs' Access to Government Programs*

The results indicate that financial record-keeping practices have a positive and statistically significant effect on MSMEs' access to government programs, with the largest coefficient among all variables. This finding highlights that, within the context of accounting capability, the practical implementation of financial management plays a more decisive role than a mere conceptual understanding. In other words, the ability to consistently record financial transactions is a critical determinant of MSMEs' integration into formal policy systems.

Empirically, this result reflects the prevailing conditions of MSMEs in the border region, where financial management practices remain largely informal and insufficiently documented. Many business actors continue to operate without structured financial records, as evidenced by the mixing of business and household finances, the absence of routine transaction recording, and lack of verifiable financial reports. These conditions are consistent with previous studies, indicating that MSMEs in border areas are predominantly micro-scale enterprises with limited administrative capacity and weak integration

into formal systems ([Pangastuti & Winston, 2024](#)). Furthermore, limited financial record-keeping practices are often driven by low awareness, inadequate knowledge, and the absence of simple and applicable recording systems tailored to micro-scale enterprises ([Fallo, Goetha, Burin, & Mau, 2024](#)).

From an analytical perspective, the dominance of financial record-keeping practices can be explained by the nature of government programs, which rely heavily on verifiable administrative evidence for the allocation of public resources. In contrast to accounting literacy, which reflects cognitive understanding, financial recordkeeping produces tangible outputs in the form of documented transactions and financial reports. These outputs serve as the primary basis for evaluating business feasibility, accountability, and eligibility within the public policy framework. Consequently, MSMEs that maintain systematic and consistent financial records are more likely to meet administrative requirements and successfully access government programs. This finding aligns with the principles of public sector accounting, which emphasize accountability, transparency, and verifiability as fundamental criteria in decision-making processes related to public resource allocation ([R. Sari & Muslim, 2023](#)). In this context, financial record-keeping practices function not only as internal managerial tools but also as formal instruments that enable MSMEs to demonstrate compliance with accountability standards. The absence of such documentation creates significant barriers, as government institutions face difficulties verifying business performance and credibility. As a result, MSMEs are often excluded from government programs, not because of their limited economic potential, but due to insufficient administrative evidence.

Empirical evidence from international studies further supports this argument, indicating that financial record-keeping practices often play a more decisive role than accounting literacy in determining MSMEs' access to formal resources ([Haripin & Fatmawati, 2026](#); [Nwani, Abiola-Adams, Otokiti, & Ogeawuchi, 2020](#)). In many developing countries, institutions tend to prioritize verifiable financial documentation as the primary basis for evaluating eligibility rather than relying solely on conceptual understanding. This reinforces the notion that implementation capability, rather than knowledge alone, is the key determinant of MSMEs' integration into formal systems. From a broader perspective, financial record-keeping practices also function as a bridging mechanism between informal economic activity and formal institutional systems. In border regions characterized by high levels of informality, MSMEs often operate outside the standardized administrative frameworks. The adoption of systematic financial recording enables these enterprises to generate credible and reliable financial information, thereby reducing institutional barriers and facilitating their transition toward more formalized economic participation in the economy.

The policy implications of these findings suggest that strengthening financial record-keeping practices should be prioritized in MSME empowerment strategies, particularly in border regions such as the North Central Timor Regency. Given the structural limitations faced by MSMEs, such as low educational attainment, limited digital literacy, and constrained access to technology, policy interventions must adopt a practical and context-sensitive approach. Simplified financial recording systems, such as basic cash books and structured manual bookkeeping, should be promoted as initial steps toward improving administrative capacity ([Dedu, Agustian, Daud, & Fa'ah, 2026](#); [Liu & Sukmariningsih, 2021](#)). In addition, capacity-building programs should emphasize hands-on training and continuous mentoring, ensuring that financial recording practices are understood and consistently implemented in daily business operations ([Gentari et al., 2026](#)). The adoption of digital financial recording tools should also be encouraged, but must be adapted to local infrastructural conditions, including limited Internet connectivity and device ownership. In this regard, the use of simple, offline, or low-data applications is particularly relevant.

Institutionally, the role of local government agencies and village-level organizations, such as *Badan Usaha Milik Desa* (BUMDes), is crucial in providing sustained support for MSMEs. These institutions can act as facilitators by offering administrative assistance, monitoring financial practices, and ensuring that MSMEs meet the requirements for accessing government programs to support MSMEs. Through a more adaptive and context-based approach, financial record-keeping practices can evolve from being merely administrative obligations to embedded business routines that strengthen MSMEs' participation

in formal policy systems. Ultimately, this transformation contributes to a more inclusive, accountable, and sustainable economic development process in the border regions.

4.6.3 Use of Accounting Information and MSMEs' Access to Government Programs

The results indicate that the use of accounting information has a positive and statistically significant effect on MSMEs' access to government programs. However, compared to other dimensions of accounting capability, the magnitude of this effect is relatively small. This finding suggests that while the ability to utilize financial information contributes to improving MSMEs' administrative readiness, its role is less prominent than that of financial record-keeping practices, which are more directly linked to compliance requirements.

Empirically, this condition reflects the reality of MSME financial management in border regions such as North Central Timor Regency, where the use of accounting information is limited. Most MSMEs can perform basic transaction recording but have not yet fully utilized financial data as a basis for business planning and decision-making. Financial reports are often treated as administrative documents rather than analytical tools to guide business strategies. This pattern is consistent with previous findings indicating that MSMEs in border areas remain at an early stage of accounting practice, characterized by simple, non-standardized recording systems and limited utilization of financial information ([Pangastuti & Winston, 2024](#); [Babulu, Feka, Banu, & Tabenu, 2022](#); [Mentu, Babulu, Aksa, Keraf, & Feka, 2025](#); [Redjo, 2022](#)). From an analytical perspective, the relatively small effect of this variable can be explained by the distinction between administrative compliance and strategic capability. Access to government programs is primarily determined by the ability to meet formal administrative requirements, which depend more directly on the availability of verifiable financial records. In contrast, the use of accounting information represents a higher-level capability associated with managerial decision-making, which, although important for long-term business performance, is not always a primary requirement for program eligibility assessments.

This finding can be further understood through the Resource-Based View (RBV), which posits that the value of a resource depends on its effective utilization in generating competitive advantage. In the context of MSMEs, accounting information constitutes a strategic resource; however, its contribution is contingent on the ability of business actors to interpret and apply it in decision-making processes. When this capability is limited, the potential value of accounting information is not fully realized. As a result, although MSMEs may possess financial data, their inability to transform it into actionable insights reduces its impact on improving access to government programs for MSMEs.

Empirical evidence from developing countries supports this argument, showing that the use of accounting information among MSMEs often remains at a basic level and is not yet fully integrated into managerial decision-making processes ([Anggraeni et al., 2026](#); [Siswanto & Aqdam, 2024](#)). In regions with limited human capital, technological access, and institutional support, financial information tends to function more as a record of past transactions than as a tool for forward-looking planning. This explains why, despite its statistical significance, the contribution of this variable is relatively smaller than more operational dimensions, such as financial record-keeping practices. From a policy perspective, these findings suggest that efforts to enhance MSMEs' accounting capabilities should not only focus on improving financial recording practices but also on strengthening the ability to utilize financial information for decision-making. In border regions such as North Central Timor Regency, this requires a shift from purely administrative training to more decision-oriented capacity building. Programs should emphasize practical skills, such as profit calculation, cost analysis, pricing strategies, and simple financial planning ([Chudri et al., 2026](#)).

In addition, capacity-building initiatives should be supported by the provision of simple and accessible tools, both manual and digital, that enable MSMEs to better understand and use financial data. The involvement of local facilitators, village officials, and higher education institutions is essential to ensure that such programs are implemented effectively and sustainably in the future. Through this approach, the use of accounting information can evolve from a passive administrative function into an active

strategic tool that enhances MSMEs' access to government programs and their long-term business resilience.

5. Conclusions

5.1 Conclusion

This study demonstrates that accounting capability significantly influences MSMEs' access to government programs in the border region of North Central Timor Regency. All dimensions of accounting capability contribute positively, confirming that administrative capacity is a key prerequisite for MSMEs' integration into formal public policy systems. Among these dimensions, financial record-keeping practices emerged as the most dominant factor, indicating that the practical implementation of financial management plays a more decisive role than accounting literacy and the use of accounting information. This finding highlights that access to government programs is primarily driven by the availability of verifiable administrative evidence rather than by conceptual understanding alone. From a theoretical perspective, this study extends the literature by repositioning accounting capability as a determinant of firm performance and a critical mechanism for accessing public policy programs. The findings also reinforce the importance of aligning MSMEs' internal capabilities with institutional requirements, particularly in border-region contexts characterized by limited human capital and high levels of informality.

5.2 Research Limitations

This study had several limitations. First, the analysis is confined to the border area of North Central Timor Regency and the Oecusse enclave of Timor Leste, which may limit the generalizability of the findings to other regions with different socioeconomic and institutional characteristics. Second, this study focuses primarily on accounting capability variables without incorporating other potentially influential factors such as technological access, institutional support, and market conditions.. Accordingly, future research should adopt a more comprehensive analytical framework by integrating additional variables and expanding the geographical scope to provide a more holistic understanding of MSMEs' access to government programs.

5.3 Suggestions and Directions for Future Research

The findings of this study suggest that strengthening accounting capabilities among MSMEs should prioritize practical, context-based approaches, particularly in enhancing the ability to perform simple and consistent financial record-keeping. Capacity-building initiatives should emphasize practice-oriented training, continuous administrative assistance, and adaptive support mechanisms tailored to the characteristics of MSMEs in border regions. Furthermore, future research should explore the interaction between accounting capability and other structural factors, such as digitalization, institutional quality, and access to financial services, to better understand the broader ecosystem influencing MSMEs' participation in public policy programs. Such efforts are essential for developing more inclusive and effective policy interventions that support MSME sustainability and long-term economic development.

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Author Contributions

MDP conceptualized the study, designed the research, analyzed the data, and drafted the manuscript. EL contributed to data collection, data processing, and the development of the literature review that supports the research framework. BGR was involved in the methodology development, research supervision, substantive revision of the manuscript, and final approval of the version to be published.

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