
Analysis of The Effect of Ethical Beliefs and Accounting Literacy in Improving Self-Efficacy and Performance of MSMEs

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ABSTRACT

This study aims to determine the extent to which ethical beliefs and accounting literacy influence self-efficacy, and how self-efficacy plays a role in improving the performance of micro, small, and medium enterprises (MSMEs). A total of 105 MSME actors participated in this study by completing questionnaires. Data analysis was conducted using Structural Equation Modeling (SEM) with the assistance of AMOS 22 and SPSS 22. The research findings indicate that ethical beliefs have a positive but non-significant impact on self-efficacy, while accounting literacy has a positive and significant impact on self-efficacy. Additionally, self-efficacy is proven to have a positive and significant effect on MSME performance, and self-efficacy is proven to play a positive and significant mediating role in linking ethical beliefs and accounting literacy to MSME performance. Therefore, strengthening accounting literacy and self-efficacy is a key strategy for improving MSME performance, while ethical values remain important in supporting reputation and business sustainability.



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1. INTRODUCTION

Indonesia's current economy is highly dependent on the existence of Micro, Small, and Medium Enterprises (MSMEs), which make a significant contribution in terms of job absorption and contribution to Gross Domestic Product (Indonesian Chamber of Commerce and Industry, 2023). Data from the Ministry of Cooperatives and SMEs shows that MSMEs serve as the backbone of the national economy, capable of absorbing over 97% of the workforce and contributing approximately 60% to Indonesia's GDP, making this sector a key foundation for maintaining economic stability and driving people-centered growth (Akbar et al., 2024; Arifa et al., 2025). However, this extraordinary potential

is often not matched by adequate managerial capabilities, including the knowledge of MSME managers about accounting systems, particularly in terms of financial management and accurate accounting records (Astuty, 2021). Consequently, many MSMEs fail to grow due to a lack of accounting literacy, resulting in business decisions not being supported by valid and transparent financial data (Nurjannah & Subur, 2024; Hamzah & Rahmawati, 2025). Thus, accounting literacy becomes a crucial factor in ensuring the sustainability and competitiveness of MSMEs in Indonesia.

Accounting literacy among MSME actors is a vital aspect of sustainable business management. Accounting literacy encompasses understanding basic accounting concepts, principles, and techniques such as transaction recording, preparing simple financial statements, and basic analysis of cash flow and profit (Iqram et al., 2025; Jedeot et al., 2025). SMEs with good accounting literacy have proven to be more capable of using financial information for business evaluation, risk management, and strategic decision-making (Seraguma & Widayanti, 2025). Additionally, mastering accounting makes it easier for MSMEs to access formal financial institutions because of more organized and accountable business documentation requirements (Nasrah & Ratna, 2024). This shows that accounting skills and literacy not only have a direct impact on business performance but also strengthen the resilience of MSMEs in facing economic disruptions and increasingly fierce market competition.

Self-efficacy significantly influences the performance and sustainability of MSMEs (Heryanto & Wijaya, 2025). Self-efficacy is defined as an entrepreneur's belief in their own ability to manage and develop their business (Bandura, 1997). High self-efficacy fosters a spirit of innovation, courage to take calculated risks, and resilience in overcoming business pressures (Arijanto, 2023; Azzahra et al., 2024). This self-confidence is often driven by proficiency in financial and accounting literacy. The more capable someone is at managing financial aspects, the more confident they are in navigating their business toward sustainability (Hendra & Fahlevi, 2024). This proves that self-efficacy is an important indicator linking accounting literacy and improved business performance, making self-efficacy enhancement programs highly relevant for integration into MSME training. Ethical beliefs play a central role in influencing the business behavior of MSME actors (Anggraeni et al., 2024). Ethical beliefs are understood as a system of values, virtues, and moral convictions that serve as a guide for conducting business honestly, transparently, and responsibly toward various stakeholders (Winarsih & Fasa, 2024). In practice, MSME actors who prioritize ethical beliefs tend to build a positive reputation in the eyes of consumers and business partners, as well as enrich the culture of integrity within the organization (Salsabila et al., 2024). This aspect is becoming increasingly important considering that the dynamics of modern business often demand a trade-off between short-term profits and sustainable ethical business practices. This proves that businesses run ethically are better equipped to build customer trust, employ loyalty, and resilience to crises – factors that are crucial for MSMEs amidst increasingly complex market competition.

Several studies examining the influence of accounting literacy and self-efficacy on MSME performance have been widely found in various research. However, integrating ethical beliefs into a business behavior model based on self-efficacy and accounting literacy is still relatively new in the context of MSMEs, particularly in Indonesia. However, most studies still focus on technical or psychological aspects, while the ethical dimension is often positioned as a single variable in large organizational behavior research, even though in reality, MSMEs are also highly vulnerable to moral issues and business ethics dilemmas. The formation of strong ethical beliefs is influenced by many factors, including educational background, business experience, social environmental influences, and access to character education and business ethics training.

Studies in behavioral economics confirm that business decisions filtered through ethical considerations tend to create a stable business ecosystem, as well as protect business owners from the

risk of legal sanctions and the loss of trust from customers and business partners. This raises several questions: Does ethical belief, which is the belief in moral values and ethics in business, play a significant role in shaping more responsible and sustainable managerial behavior? And does the level of accounting literacy possessed by MSME actors affect their self-confidence in running their businesses, and does it contribute to improving their business performance? And to what extent does the self-efficacy of MSME actors influence the improvement of their business performance? This research focuses on analyzing the relationship between ethical beliefs and accounting literacy on self-efficacy, and how self-efficacy impacts the improvement of MSME performance. This research is further supported by various empirical findings that illustrate the gap between the potential and performance of MSMEs due to low accounting literacy, weak instilling of ethical values, and a lack of self-confidence in facing increasingly complex business challenges. Thus, thru this research, it is hoped that it will open up space for discussion and the development of more holistic policies in the field of training, guidance, and supervision of MSME business practices, so that they can grow as healthy, competitive, and sustainable business entities.

Literature Review and Hypothesis Development

Social Cognitive Theory

Social Cognitive Theory, developed by Bandura (1997), explains that human behavior is shaped thru the dynamic interaction between personal factors, the environment, and the behavior itself. The main concept in this theory is reciprocal determinism, which is the belief that individuals are not only influenced by their environment but also have the ability to influence their environment thru the actions and decisions they make (Suminta & Atmasari, 2025). Within this framework, the theory can be operationalized by measuring variables such as self-efficacy, ethical beliefs, accounting literacy, and MSME performance. Ethical beliefs represent environmental values that influence business behavior, accounting literacy describes personal capacity in managing financial information, while self-efficacy reflects an individual's self-confidence in facing business challenges (Adelia & Sudarwanto, 2025). Ultimately, the performance of MSMEs is a manifestation of behavior resulting from the dynamic interaction between personal factors, the environment, and individual beliefs.

In the world of micro, small, and medium enterprises (MSMEs), this theory is highly relevant. Personal factors such as accounting literacy and self-efficacy, environmental factors like business and social dynamics, and moral values embedded in ethical beliefs all interact to shape entrepreneurial behavior (Arimbi & Diptyana, 2023). Self-efficacy holds a central position in Social Cognitive Theory because the self-confidence of MSME actors will influence how they make decisions, manage their businesses, and overcome challenges. For example, MSME actors with high accounting literacy will be more confident in reading financial conditions, managing capital, and planning business strategies. Similarly, ethical beliefs provide moral guidance to maintain business integrity (Ardianingsih & Mardayanti, 2023). These two aspects will strengthen self-efficacy, making MSME actors more persistent, risk-taking, and open to innovation. Ultimately, the interaction between personal capabilities, moral values, and the business environment will result in healthy and sustainable performance for MSMEs. Thus, Social Cognitive Theory provides a strong theoretical foundation for understanding how MSME performance is not isolated, but rather formed from the synergy between ethical beliefs, accounting literacy, and self-efficacy as the main factors that interact to influence MSME performance (Handayani et al., 2024). Strong moral values (ethical beliefs) provide an ethical foundation for decision-making, accounting literacy provides the technical ability to manage businesses objectively and measurably, while self-efficacy serves as a psychological force that drives

MSME actors to be persistent, courageous, and innovative in facing business challenges. MSME performance reflects the results or output achieved by business owners in managing their

businesses overall (Alonsori & Listyaningsih, 2022). This performance can be seen thru various indicators such as revenue growth, profitability, competitiveness, operational efficiency, and long-term sustainability (Sihombing et al, 2024). In the context of this research, the performance of MSMEs is influenced by technical abilities (such as accounting literacy), psychological factors (self-efficacy), and moral values (ethical beliefs). MSMEs with good accounting skills will be able to prepare more accurate financial statements, manage finances more wisely, and make business decisions based on valid financial data (Winarso & Kurniawan, 2022). Meanwhile, business owners with high levels of self-efficacy tend not to give up easily when facing challenges and are able to find creative and strategic solutions (Rizqi et al., 2022). Additionally, ethical values in business also support business sustainability, as trust from customers, partners, and the surrounding environment is an invaluable and important asset. Thus, the performance of MSMEs is an important outcome that reflects the synergy of accounting literacy, self-efficacy, and ethical beliefs. Improving MSME performance means not only talking about big profits, but also how businesses can grow in a healthy, and ethical belief.

Ethical Belief

Ethical beliefs are a set of moral values and ethical principles that serve as a guide for business operators in conducting their business activities (Amalia et al., 2024). In the world of MSMEs, ethical values such as honesty, responsibility, and fairness are the foundation for building customer trust and long-term relationships with business partners (Tokan et al., 2025). Business actors who uphold business ethics tend to be more consistent in maintaining the reputation and integrity of their businesses, which ultimately has a positive impact on business performance and sustainability (Junaidi, 2024). Ethical beliefs also encourage MSME actors not to solely pursue financial gain, but also to consider the social and moral impact of business decisions made. These values play an important role in shaping entrepreneurs' self-efficacy because with strong integrity, MSME entrepreneurs feel more confident in navigating complex business dilemmas (Kuswandi, 2023). High ethical standards in business create a healthy business ecosystem where entrepreneurs feel comfortable making decisions because they are based on clear moral principles. Thus, ethical beliefs not only influence the reputation of a business but also have a direct impact on the psychological dimension of MSME actors, namely Self-efficacy. Therefore, the following hypothesis can be concluded:

H1: Ethical beliefs have a positive influence on the self-efficacy of MSME actors.

Accounting Literacy

Ethical beliefs and accounting literacy play an an important role in influencing the self-efficacy of MSMEs (Pradnyani & Putri, 2024). Accounting literacy is defined as an individual's understanding of basic accounting concepts and principles such as transaction recording, financial statement preparation, and cash flow and profit and loss analysis (Handayani et al, 2024). This literacy is an important skill for business owners because it has a direct impact on the effectiveness of business management. MSME actors with a high level of accounting literacy have proven to be more capable of evaluating business performance, making data-driven strategic decisions, and managing business risks in a structured manner (Yunita et al., 2023). Additionally, accounting literacy also helps MSME actors prepare credible financial statements and meet administrative requirements to access formal financing from banks or other financial institutions.

The ability to understand simple financial statements such as balance sheets, income statements, and cash flow statements makes business owners more confident in running their businesses (Setiani et al., 2024). This understanding strengthens self-efficacy, as business owners feel more capable of controlling important aspects of their business operations. When MSME actors are

confident in their ability to manage finances, they tend to be more courageous in taking strategic steps, more resilient in facing challenges, and more innovative in developing their businesses (Lestari & Ridwan, 2025). Unfortunately, in Indonesia itself, many MSME actors fail to grow not because of a lack of capital, but because of an inability to systematically record and manage their business finances (Andini et al., 2024). Understanding accounting literacy is essential for business owners to effectively and efficiently manage their businesses. Thus, the hypothesis formulated in this study is as follows:

H2: Accounting literacy has a positive effect on the self-efficacy of MSME actors.

Self-efficacy

Self-efficacy is a psychological concept that refers to an individual's belief in their ability to regulate and perform the actions necessary to achieve a specific outcome. This concept was introduced by Bandura (1997) and has been widely used in the context of entrepreneurship. In Social Cognitive Theory, Bandura (1997) asserts that self-efficacy is primarily formed thru mastery experience, which is an individual's successful experience in completing tasks or facing specific challenges. Self-efficacy is a key element influencing various aspects of entrepreneurial behavior, including decision-making, perseverance in overcoming obstacles, and the ability to adapt to changes in the business environment. In the MSME environment, self-efficacy plays an important role because it can influence entrepreneurial behavior, motivation, resilience, and the innovation orientation of business owners (Junaidi et al., 2023). The higher the self-efficacy possessed by MSME actors, the greater the likelihood of them surviving in uncertain business conditions. They are more willing to take risks, do not give up easily when facing failure, and are able to learn from mistakes as part of a continuous learning process (Faradisa et al., 2024). This is very important, considering the business world today is becoming increasingly dynamic and full of uncertainty, both from economic, technological, and regulatory perspectives. Self-efficacy is also influenced by two main factors: accounting literacy and ethical beliefs.

MSME actors who understand accounting tend to be more confident because they can objectively read the financial condition of their business. When MSME actors can accurately read these financial statements and understand their business's financial position, they will feel more prepared to plan strategies and anticipate the risks they face. Meanwhile, MSME actors with strong ethical values feel calmer and more confident in making decisions because they are guided by clear moral principles (Rahmawati et al., 2024; Rahayu, 2025). MSME actors who adhere to strong moral principles tend to have inner peace and high self-confidence in every business action. They believe that decisions made ethically will bring long-term benefits, not only for their businesses but also for customers, business partners, and the wider community. Thus, self-efficacy becomes an important mediating variable in influencing MSME performance. Previous research Refa & Anisah, (2024) found that MSME actors with high levels of self-efficacy tend to be more persistent in pursuing goals, more prepared to face market challenges, and able to create competitive product and service innovations. Therefore, increasing self-efficacy will have a direct impact on achieving more optimal business performance. The research strengthens the role of Self-efficacy as a mediating variable that bridges the influence of accounting literacy and ethical beliefs on the business performance of MSMEs. Therefore, improving Self-efficacy is an important priority in developing the capacity of MSME actors. Interventions that can be implemented include basic accounting training, fostering business ethics, entrepreneurship mentoring, and providing access to market and technology information. These strategies are expected to boost business owners' confidence in managing their businesses more effectively and sustainably.

H3: Self-efficacy has a positive effect on MSME performance.

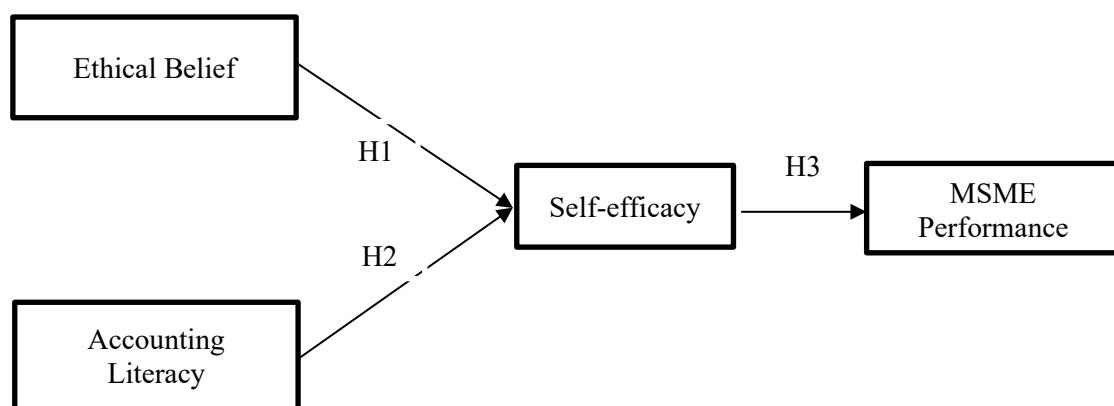
H4: Self-efficacy plays an important role in mediating the influence of ethical beliefs on MSME performance.

H5: Self-efficacy plays an important role in mediating the influence of accounting literacy on MSME performance

2. METHOD

Research Design

This study used a quantitative approach with Structural Equation Modeling (SEM) to analyze the relationship between ethical beliefs, accounting literacy, self-efficacy, and MSME performance. SEM was applied to test the direct and indirect effects between latent variables. Data analysis was conducted using AMOS 22 and SPSS 22, and the research model is presented in Figure 1.



H4: Ethical Belief → Self-Efficacy → MSME Performance

H5: Accounting Literacy → Self-Efficacy → MSME Performance

Figure 1: Research Model

Participants/Sample Selection and Data Sources

The research subjects consisted of Micro, Small, and Medium Enterprises (MSMEs). The sample size was determined according to SEM requirements, where a model with four latent constructs and multiple indicators requires 100–150 respondents to obtain reliable results (Hair et al., 2019). This study used primary data collected directly from MSME respondents.

Instrumentation/Data Collection

Data were collected using a questionnaire developed based on the research variables. All items were measured using a 7-point Likert scale, ranging from strongly disagree (1) to strongly agree (7), to more accurately capture respondents' perceptions.

Data Analysis/Estimating Model/Variable Measurement

Data analysis was conducted using quantitative techniques. Descriptive and preliminary analyses were conducted using SPSS 22, while hypothesis testing and structural model estimation were conducted using SEM with AMOS 22. Each construct was measured using several indicators to assess the relationship between variables and test the proposed hypotheses.

3. RESULTS AND DISCUSSION

The data obtained has several characteristics based on gender, age, and length of employment, as presented in Table 1.

Table 1 Respondent Demographics

Demographic Items	Frequency	Percentile (%)
Gender		
Male	20	19.0
Female	85	81.0
Age		
<25 Years	45	42.9
26-35 Years	33	31.4
36-45 Years	26	15.2
>45 Years	11	10.5
Work Experience		
<1 Years	70	66.7
2-3 Years	19	18.1
4-6 Years	9	8.6
>6 Years	7	6.7

Measurement Model Test The measurement model test is testing the relationship between indicators and latent variables. The integration of structural model testing and these measurements allows researchers to test measurement error as an integral part of SEM and perform factor analysis simultaneously with hypothesis testing. In the measurement model test, the probability level obtained was in accordance with the criteria and rules of quantitative research. The results of the measurement test can be seen in Table 2.

Table 2 Measurement Results

Constructs	MLE estimates factor loading/ measurement error		Squared multiple correlation (SMC)	Composit e reliability (CR)	Average of variance extracted (AVE)	Cronbach's α
Ethical Belief				0.758	0.442	0.755
EB1	0.666	0.556	0.444			
EB2	0.596	0.645	0.355			
EB3	0.756	0.428	0.572			
EB4	0.63	0.603	0.397			
Accounting literacy				0.860	0.557	0.858
AL1	0.575	0.669	0.331			
AL2	0.767	0.412	0.588			
AL3	0.627	0.607	0.393			
AL4	0.852	0.247	0.726			
AL5	0.865	0.252	0.748			
Self Efficacy				1.363	0.490	0.845
SE1	0.591	0.651	0.349			
SE2	0.792	0.373	0.627			
SE3	0.727	0.471	0.529			
SE4	0.764	0.416	0.584			
SE6	0.706	0.502	0.498			
SE6	0.593	0.648	0.352			
MSME				0.819	0.368	0.817
FB1	0.48	0.609	0.230			

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FB2	0.611	0.466	0.373
FB3	0.517	0.583	0.267
FB4	0.772	0.535	0.596
FB5	0.669	0.719	0.448
FB6	0.505	0.535	0.255
FB7	0.679	0.755	0.461
FB8	0.557	0.379	0.310

Fit statistics (N = 613)

$\chi^2/df = 2,881$ Goodness-of-Fit Index (GFI) = 0.605, Nonnormed fit index (NFI) = 0.641, Comparative Fit Index (CFI) = 0.727, Incremental fit index (IFI) = 0.732, and Root Mean Square Error of Approximation (RMSEA) = 0.134

Testing the Structural Model is the relationship between latent variables (variables that cannot be measured directly and require multiple indicators to measure them) and independent and dependent variables (Bollen, 1989). The results of the structural model test can be seen in Figure 2.

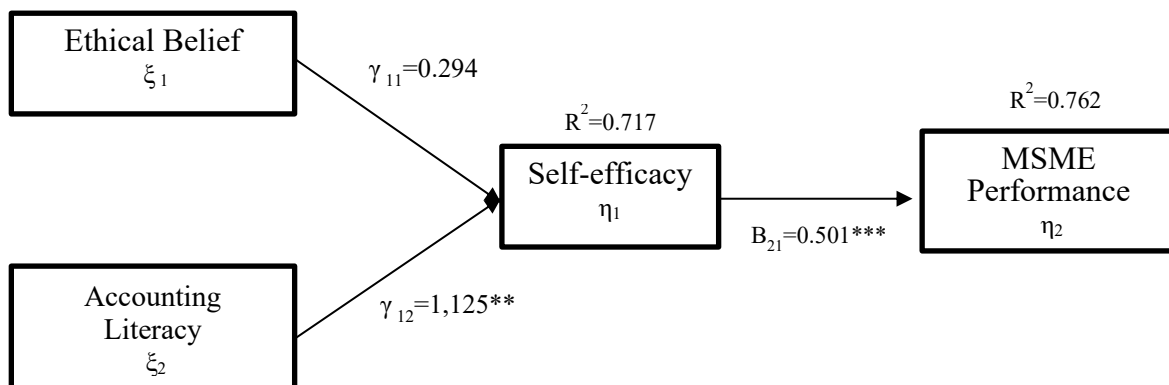


Figure 2 Structural Model Result

Note. $\chi^2/df = 2.883$, GFI = 0.604, NFI = 0.657, CFI = 0.729, IFI = 0.724 and RMSEA = 0.135
Significant at *: $p < 0.05$, **: $p < 0.01$, ***: $p < 0.001$

The structural model above shows that the values of CMIN/Df = 2.883, GFI = 0.604, NFI = 0.604, CFI = 0.729, IFI = 0.724, and RMSEA = 0.135 meet the criteria. Although the CFI, GFI, and AGFI values are in the marginal fit category, according to Hair et al. (2019), since the CFI, GFI, and AGFI values are close to the recommended values, the model is still suitable to be continued. This means the model is a good fit and suitable for use, and it supports analysis using structural equation modeling (SEM). The research results indicate that Ethical Belief was not significant effect on self-efficacy (0.294; $p > 0.05$), so H1 is not proven. These findings can be explained thru the perspective of Social Cognitive Theory (Bandura, 1997). This theory asserts that self-efficacy is primarily formed thru mastery experiences and an individual's actual ability to complete specific tasks. Moral values and ethical beliefs play a more significant role as behavioral guidelines and environmental factors shaping long-term business orientation, but they do not always directly increase the self-confidence of MSME actors in managing their businesses without the support of technical skills and practical experience. Thus, while ethical beliefs are important in maintaining the integrity and reputation of a business, their mere existence is not sufficient to significantly build the self-efficacy of MSME actors. This indicates that the values held by MSME actors, such as honesty, transparency, social responsibility, and a rejection of cheating, are not yet strong enough to build their confidence in running their businesses. An honest and responsible business owner might still feel less confident facing business risks if they lack technical skills and managerial experience. This indicates that the ethical beliefs held by MSME actors do not automatically increase their self-confidence in managing

their businesses. This finding aligns with (Nuraeni et al., 2024), which states that certain psychological factors do not always influence financial literacy or beliefs. However, these results differ from (Natoil et al., 2022) and (Irwanto & Ie, 2023), who found that individuals' internal values are able to strengthen self-efficacy in decision-making.

The results of this study also show that accounting literacy has a positive and significant effect on self-efficacy (1.125; $p < 0.01$), thus proving H2. In line with Social Cognitive Theory (Bandura, 1977), particularly the concept of mastery experience as the primary source of self-efficacy formation. Accounting literacy provides direct experience for MSME actors in recording transactions, preparing financial statements, and objectively evaluating business conditions. These abilities include recording financial transactions, preparing simple reports, separating personal and business finances, planning capital usage, and reading financial statements for decision-making, which can increase self-confidence in managing a business. This proves that the better the accounting literacy of MSME actors, the higher their confidence in managing finances and making business decisions. The results of this study are consistent with (Savana et al., 2025) and (Olli et al., 2015), who found that financial literacy significantly influences self-efficacy. Thus, accounting literacy can be positioned as one of the important factors in building the confidence of MSME actors to manage their businesses more professionally and sustainably.

Self-efficacy has a positive and significant influence on MSME performance (1.501 $p < 0.001$), thus proving H3. The positive and significant influence of self-efficacy on MSME performance supports Social Cognitive Theory, which states that an individual's belief in their abilities will affect their level of effort, perseverance, and resilience in facing challenges (Bandura, 1997). SME entrepreneurs who have the self-confidence to face challenges, do not give up easily when they fail, feel competent in developing their business, believe in their ability to innovate, and are brave enough to make difficult decisions have been proven to be more capable of improving business performance. This is reflected in MSME performance indicators such as sales growth, increased profits, increased capital, product expansion, and an increasing number of customers. These findings are consistent with research by Wijayana et al. (2023) and Heryanto & Wijaya (2025), which emphasizes that self-efficacy is an important factor in improving performance, decision-making, and business management effectiveness. This indicates that self-efficacy significantly influences MSME performance, and it can be concluded that the higher the self-efficacy of MSME actors, the better their business performance. To test the role of the mediator variable, this study uses Hayes' (2018) bootstrapping technique, which is considered more accurate in estimating mediation parameters. Can be seen in Table 3.

Tabel 3. Mediation Effects

IV	M	DV	IV->DV (c)	IV->M (a)	IV+M->DV		Bootstrapping 95% CI	
					IV (c')	M(b)	Percentile	Bias-corrected
EB	SE	KU	0.396***	0.813***	0.342***	0.420***	[0.835, 0.775]	[0.448, 0.416]
	Standard Error (SE)		0.077	0.070	0.067	0.071		
AL	SE	KU	0.565***	0.893***	0.233***	0.261**	[0.903, 0.842]	[0.639, 0.596]
	Standard Error (SE)		0.085	0.059	0.073	0.079		

Note. Significant at *: $p < 0.05$, **: $p < 0.01$, ***: $p < 0.001$

The analysis results prove that self-efficacy plays a positive and significant role in mediating the relationship between ethical beliefs and accounting literacy on MSME performance, thus proving H4 and H5. The role of self-efficacy as a mediating variable strengthens the Social Cognitive Theory

framework. In this theory, behavior and performance are not only influenced by environmental factors and personal abilities, but also by an individual's belief in their own capabilities. This finding indicates that improving business ethics and accounting skills can strengthen the self-confidence of MSME actors, which in turn has a positive impact on business performance.

4. CONCLUSION

Accounting literacy is a combination of knowledge, skills, attitudes, and behaviors that are essential for MSME actors to manage their finances in a healthy, transparent, and accountable manner because it helps with the preparation of simple financial statements, understanding cash flow, and business planning. The research findings indicate that accounting literacy has a positive and significant impact on self-efficacy, meaning the better the ability of MSME actors to manage finances, the higher their self-confidence in managing their businesses. Conversely, ethical beliefs were found to have a positive but non-significant impact on self-efficacy, so even though honesty, responsibility, and integrity are important values in building reputation and consumer trust, they are not sufficient to increase business actors' self-confidence. Another finding shows that self-efficacy has a positive and significant impact on MSME performance, where business actors' self-confidence in managing, developing, and making decisions was proven to drive increased sales, profits, product expansion, and customer numbers. Additionally, self-efficacy also serves as a significant mediating variable in the relationship between accounting literacy and ethical beliefs towards MSME performance. Overall, improving MSME performance needs to focus on strategies to strengthen accounting literacy and develop self-efficacy through practice-based entrepreneurship training, managerial mentoring, guidance from experienced entrepreneurs, and direct learning from business experiences, so that self-efficacy can function as a psychological asset that drives innovation, resilience, and the competitiveness of MSMEs.

Research Contributions

This study offers theoretical and contextual contributions to UMKM research. Theoretically, this study supports the application of Social Cognitive Theory by demonstrating that literacy is a more dominant factor in UMKM employees' self-efficacy when compared to ethical belief, as well as confirming the importance of self-efficacy as a primary media variable that links technical and ethical factors to UMKM work. In a contextual sense, this study indicates that the increase in UMKM work output is not only related to financial methods but also to the literacy and self-confidence of business owners. This is significant as a foundation for the development of a more comprehensive and business-focused UMKM program.

Theoretical Implications

Theoretically, this research supports the Social Cognitive Theory literature (Bandura, 1997) by confirming that technical ability (accounting literacy) has a greater influence on shaping self-efficacy than moral factors. In other words, real skills in managing business finances can boost the confidence of MSME actors more strongly than simply adhering to ethical values. Ethical beliefs remain important, but more as a foundation for long-term reputation and business sustainability orientation, rather than as a direct factor shaping self-confidence. Additionally, this research strengthens the role of self-efficacy as a central mediating variable that bridges the relationship between accounting literacy, ethical values, and MSME performance. This finding enriches the understanding that the interaction between technical, psychological, and moral factors is crucial for the success of small and medium-sized enterprises.

Practical Implications

Practically, this research provides several recommendations that can be directly implemented by MSME actors and policymakers. First, there needs to be a practice-based accounting training program to improve the technical skills of MSME actors in financial recording and reporting. Second, it is important to hold business mentoring and coaching programs to strengthen self-efficacy, as self-confidence has been proven to play a significant role in driving business performance. Third, although not significant for self-efficacy, business ethics values still need to be integrated into MSME development to create a good and sustainable business reputation. Fourth, the government and institutions that support MSMEs should not only focus on providing access to capital, but also on developing the managerial and psychological capacity of business owners. With this combination of strategies, MSMEs can grow to be more professional, innovative, and resilient to market challenges.

Research limitations

This study has several limitations that need to be considered. From a variable perspective, the study only uses three main variables: ethical beliefs, accounting literacy, and self-efficacy, thus not including other factors such as business experience, social support, or entrepreneurial orientation, which might be more influential. From a methodological standpoint, using the SEM method with questionnaires has the potential to introduce subjective bias from respondents, and the limited sample size confined to a specific region means the findings of this study need to be generalized with caution. From a contextual perspective, the study has not fully explained cultural factors, the local business environment, and differences in the business sectors of MSMEs that could moderate the influence of ethical beliefs and accounting literacy on self-efficacy.

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