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Strategic Pathways to SMEs' Competitiveness: The Roles of Financial Practices, Market Orientation, and Accounting Information Systems Within Emerging Markets

Herminawaty Abubakar[1,*], Faridah[1], Nurhidayanti S[2]

[1]*Bosowa University, Indonesia*

[2]*Lasharan Jaya College of Management Science*

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ABSTRACT

Small and Medium Enterprises (SMEs) play a vital role within emerging economies, such as Indonesia, yet many struggle to maintain competitiveness due to limited internal capabilities and uneven digital adoption. While market orientation and financial practices have been widely studied, few studies have examined how these strategic elements interact, particularly in the context of emerging markets where digital infrastructure and managerial resources are often constrained. This study addresses this gap by investigating the direct and indirect effects of Market Orientation and Strategic Financial Practices on Competitive Advantage, using Indonesia's retail SMEs as the empirical setting. Grounded in Resource-Based View and Dynamic Capabilities Theory, the model incorporates three mediators: Innovation, Resource Allocation, and Financial Reporting Quality, and examines the moderating role of Accounting Information Systems (AIS). Data were collected from 500 SMEs managers and analyzed using Structural Equation Modeling (SEM). The results confirm the significant impact of both market and financial capabilities on Competitive Advantage, and demonstrate how these relationships are amplified by innovation, effective resource use, and financial transparency. AIS also positively moderates the financial strategy–performance link, highlighting its role in digital transformation. This study provides a holistic framework for enhancing SMEs' competitiveness and offers practical insights for policymakers and SMEs development programs.

* Corresponding Author.
E-mail: herminawati.abubakar@universitasbosowa.ac.id

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I. INTRODUCTION

Small and Medium Enterprises (SMEs) play a vital role in Indonesia's economy, contributing more than 60% to the country's Gross Domestic Product (GDP) and providing employment for the majority of the workforce (OECD, 2021). Among these, retail SMEs constitute a significant portion, yet they face persistent challenges, such as limited access to financing, low levels of financial literacy, fragmented markets, and increasing competitive pressures. Moreover, Indonesia's digital transformation landscape remains uneven, and many SMEs struggle to adopt technological solutions to enhance their operations. These contextual dynamics underscore the importance of understanding how to strategically leverage internal capabilities to improve SMEs' competitiveness.

While prior studies have examined financial practices and market orientation separately, there is still a lack of integrative study that explores how these elements interact to influence firms' performance, particularly in the context of emerging markets, such as Indonesia. Moreover, there is limited empirical evidence concerning the role of accounting-based technologies, such as Accounting Information Systems (AIS), in enhancing the execution of strategic financial practices. Indonesia, as an emerging economy with large informal sectors, underdeveloped digital infrastructure in certain regions, and inconsistent financial reporting practices among SMEs, offers a unique and relevant setting to explore these relationships.

This study thereby aims to fill these gaps by emphasizing the need to understand not only how SMEs formulate financial and market strategies, but also how they orchestrate internal capabilities to implement those strategies effectively. Market orientation refers to the firms' ability to collect, share, and respond to market intelligence, allowing them to stay aligned with customers' needs and competitive trends (Abubakar et al., 2024). Strategic financial practices, such as budgeting, forecasting, and investment planning, are essential tools that support firms' solid resource management and long-term sustainability (Ahmad, 2024). Although these practices have often been conducted separately, their combined application may yield more significant performance improvements, especially when supported by advanced technology.

This study also integrates accounting-related capabilities that have been frequently under-represented in prior studies on SMEs. Financial reporting quality, which refers to the accuracy, transparency, and timeliness of financial disclosures, enhances decision-making and builds trust with stakeholders (Biddle et al., 2009). The use of AIS further supports SMEs by automating financial tasks, enabling real-time analysis, and improving the reliability of data used for strategic decision-making (Baker et al., 2022). Together, these factors form a critical link that bridges financial capability and business performance.

This study is theoretically grounded in Resource-Based View (RBV) and Dynamic Capabilities Theory (DCT). These perspectives highlight that competitive advantage arises from the ability to develop, deploy, and renew valuable internal resources. Innovation, resource allocation, and financial reporting quality serve as key internal processes through which market and financial strategies are implemented. The use of AIS is positioned as a moderating factor that could strengthen the relationship between financial practices and competitive outcomes by improving execution quality and adaptability (Al Azzani et al., 2024).

Therefore, this study aims to investigate the direct and indirect effects of Market Orientation and Strategic Financial Practices on Competitive Advantage within Indonesia's retail SMEs. It also examines the mediating roles of Innovation, Resource Allocation, and Financial Reporting Quality, along with the moderating role of AIS. In this way, this study contributes to the existing literature by integrating financial, strategic, and technological elements into a unified model. Moreover, this study also provides practical recommendations for SMEs owners, consultants, and policymakers, particularly within emerging economies, to enhance their competitiveness through internal capability development and digital adoption.

II. ANALYTICAL FRAMEWORK

This study builds an integrated analytical framework to examine how internal strategic capabilities influence the competitive advantage of Indonesia's retail SMEs. This framework is grounded in two complementary theoretical perspectives: Resource-Based View (RBV) and Dynamic Capabilities Theory (DCT). RBV emphasizes the importance of firm-specific resources that are valuable, rare, inimitable, and non-substitutable in achieving sustained competitive advantage. In this study, Market Orientation and Strategic Financial Practices are treated as critical internal capabilities that reflect both strategic intention and operational focus. Following, DCT enriches this perspective by explaining how firms adapt themselves to dynamic environments as well as how they integrate and reconfigure their capabilities accordingly. This is particularly relevant for SMEs within emerging markets, which often face dynamic competition, regulatory instability, and resource limitations.

Within this study's framework, Market Orientation represents firms' ability to generate, disseminate, and respond to market intelligence. It enables SMEs to align their strategies with evolving customers' needs and competitors' actions. Strategic Financial Practices, on the other hand, capture firms' ability to manage resources through structured processes, such as budgeting, forecasting, and investment planning. Both capabilities are hypothesized to directly contribute to Competitive Advantage. However, this framework also recognizes that these relationships may not be linear or straightforward. Instead, the transformation of strategic inputs into competitive outcomes is facilitated by internal processes that act as mediators, namely Innovation, Resource Allocation, and Financial Reporting Quality.

Innovation is positioned as a key dynamic capability that allows SMEs to respond to market signals through new products, services, or processes. Resource Allocation reflects how effective the firms distribute their resources in alignment with their strategic priorities. Meanwhile, Financial Reporting Quality represents the accuracy, transparency, and timeliness of financial disclosures. Each of these mediating variables enables the firms to translate strategic capabilities into operational and competitive gains. This study's framework posits that these mediators explain how and why Market Orientation and Strategic Financial Practices lead to superior performance outcomes, in line with the theoretical emphasis on capability deployment and resource reconfiguration.

Furthermore, this framework introduces Accounting Information Systems (AIS) as a moderating variable. AIS is not merely a technical tool, but also a strategic enabler that enhances decision-making, efficiency, and control. Its role is to strengthen the relationship between Strategic Financial Practices and Competitive Advantage by providing real-time data, improving financial accuracy, and reducing execution risks. The moderating role of AIS is explicitly included in this framework to reflect its conditional influence. Firms with higher AIS adoption are well-positioned to benefit more from financial planning than those without it. The analytical framework is depicted in Figure 1, highlighting the indirect (mediated and moderated) and direct relationships among seven examined constructs, supported by both theoretical and empirical foundations.

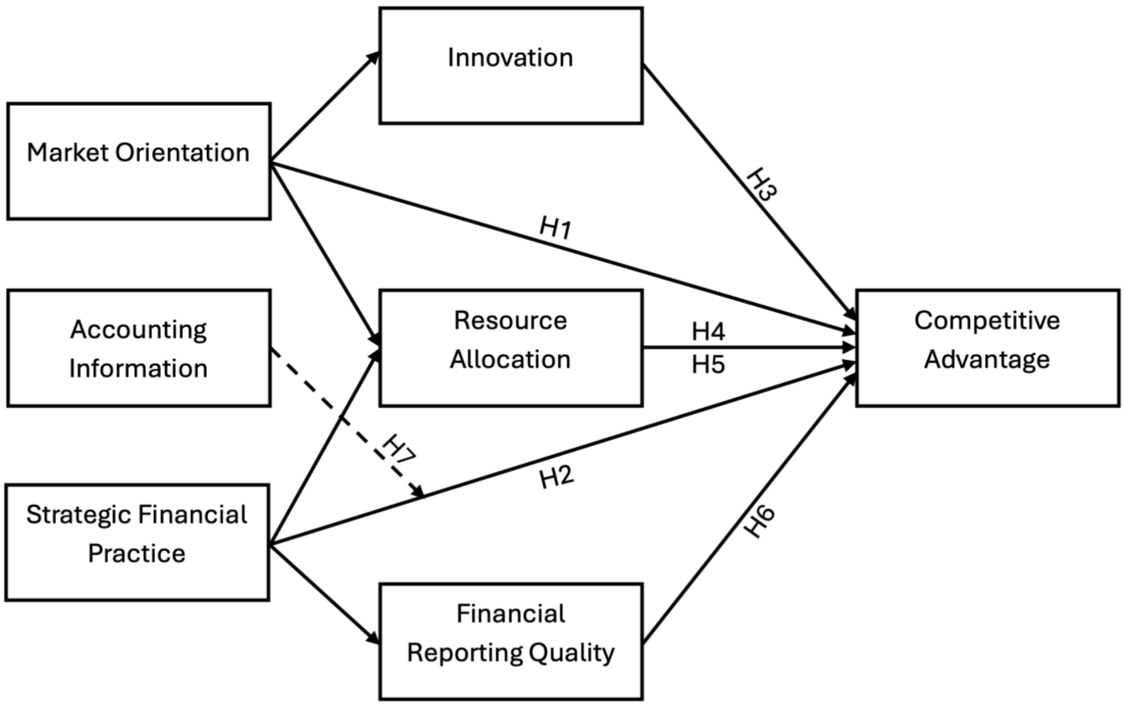

Figure 1. Analytical Framework

A. Market Orientation and Competitive Advantage

Market Orientation refers to an organizational culture that emphasizes the continuous acquisition, dissemination, and use of market intelligence to satisfy customers' needs and respond effectively to competitors (Abubakar et al., 2024; Appiah-Adu & Singh, 1998). It encompasses three key components: customer orientation, competitor orientation, and inter-functional coordination. Customer orientation focuses on understanding and meeting the evolving needs of target markets; competitor orientation involves tracking competitors' strategies and capabilities; and inter-functional coordination refers to the collaborative efforts across various departments to deliver superior customer value (Aminullah & Wusko, 2025; Yadet et al., 2023).

The concept of Market Orientation is strongly rooted in two aforementioned theoretical perspectives: RBV and DCT. According to RBV's standpoint, Market Orientation is a valuable, rare, and inimitable resource that contributes to sustainable competitive advantage (Estensoro et al., 2022), since it is an intangible capability that enables firms to align internal processes with external market demands. Furthermore, DCT posits that Market Orientation enhances firms' ability to adapt themselves to rapidly changing environments as well as to integrate and reconfigure resources accordingly (Alam, 2025; Ellström et al., 2022). This adaptability is crucial for SMEs operating within competitive and volatile markets, such as Indonesia.

Empirical studies have consistently demonstrated the positive impact of Market Orientation on firms' performance, innovation, and adaptability. For instance, Bamfo and Kraa (2019) found that firms with high Market Orientation exhibit superior business performance. More recent studies have confirmed that market-oriented SMEs are more innovative and responsive, which enhances their competitiveness (Correia et al., 2025; Ha et al., 2021; Keelson et al., 2024). In the context of Indonesia, where SMEs face dynamic consumers' behavior and fragmented markets, the ability to anticipate and respond to changes is vital for maintaining a competitive edge (Thien Duc & Mujahida, 2024).

Thus, based on these theoretical reasonings, the following hypothesis is proposed:

H1: Market Orientation has a positive and significant effect on Competitive Advantage.

B. Strategic Financial Practices and Competitive Advantage

Strategic Financial Practices refer to the systematic and forward-looking use of financial tools, such as budgeting, forecasting, and investment planning, to guide organizational decision-making and support long-term goals (Ahmad, 2024; Gibson & Cassar, 2005). Budgeting involves setting financial goals and allocating resources accordingly; forecasting refers to prediction of future financial conditions to facilitate strategic choices; and investment planning ensures that capital is directed toward growth-enhancing initiatives. Together, these practices contribute to financial strength and enable firms to align their financial resources with their strategic priorities.

Two main theoretical lenses support the relevance of Strategic Financial Practices in shaping Competitive Advantage. Firstly, Pecking Order Theory (Chaklader & Padmapriya, 2021; Hatidja et al., 2025) suggests that firms, particularly SMEs, tend to prefer internal financing over external funding due to information asymmetries and higher costs of external capital. Strategic Financial Practices, therefore, help SMEs manage internal funds more efficiently, enabling them to avoid overreliance on external debt. Secondly, Strategic Management Theory posits that these practices enable better strategic alignment, risk management, and informed decision-making, all of which are essential for achieving and sustaining a competitive edge (Fatoki, 2014; Henry, 2021; Van Auken, 2001).

The importance of Strategic Financial Practices is particularly pronounced for SMEs, which often operate under resource constraints and face heightened vulnerability to market fluctuations. Strategic Financial Practices would enhance SMEs' capacity to survive within turbulent markets, invest in innovation, and scale operations responsibly (Beck et al., 2008; Donkor et al., 2018). In the context of Indonesia, where many SMEs struggle with access to credit and low levels of financial literacy, structured financial practices are suggested to significantly improve operational resilience and strategic performance (Nkwinika & Akinola, 2023).

Empirical studies have shown that SMEs that adopt Strategic Financial Practices exhibit better performance outcomes, such as profitability, market share, and long-term sustainability (Ahmad, 2024; Van Auken, 2001). These practices empower SMEs to allocate resources efficiently, minimize financial risks, and respond proactively to emerging opportunities and threats.

Thus, based on these theoretical reasonings, the following hypothesis is proposed:

H2: Strategic Financial Practices have a positive and significant effect on Competitive Advantage.

C. The Mediating Role of Innovation

Innovation plays a crucial role in enabling firms to respond proactively to evolving market demands and achieve sustained competitive advantage. In the context of market orientation, Innovation is often viewed as a natural outcome of customer and competitor intelligence, as market-oriented firms are better positioned to recognize and act upon new opportunities (Al Azzani et al., 2024; Bamfo & Kraa, 2019). By continuously adapting their products, services, and processes to dynamic market environments, market-oriented firms can maintain relevance, differentiate themselves from competitors, and satisfy customers' needs more effectively.

In the context of Small and Medium Enterprises (SMEs), Innovation is particularly important for overcoming resource constraints and establishing a distinct market position. Innovation enables SMEs to offer unique value propositions, tailor their offerings to niche markets, and develop creative solutions that larger firms may overlook. This agility in Innovation allows SMEs to stay ahead within dynamic market environments, which is essential for long-term competitiveness (Garrido-Moreno et al., 2024; Jamaluddin, 2025).

Prior studies have shown that Market Orientation strongly influences SMEs' Innovation capability. Firms that are attuned to customers' preferences and market trends are more likely to invest in new ideas, adopt emerging technologies, and continuously improve their operations (Jung & Shegai, 2023; Keelson et al., 2024). In turn, Innovation has been consistently linked to improved firms' performance, such as higher profitability, customers' satisfaction, and market share. For instance, Baker et al. (2022) highlighted how Innovation acts as a strategic bridge between market awareness and performance gains, especially within resource-constrained environments like those faced by SMEs.

In the context of Indonesia's retail SME, where competition is intensifying and consumers' behavior is rapidly changing, Innovation serves as a vital mechanism through which Market Orientation could be translated into real competitive outcomes. It allows firms to capitalize on insights gained through Market Orientation and transform them into tangible improvements in products, services, or processes.

Thus, based on these theoretical reasonings, the following hypothesis is proposed:

H3: Innovation mediates the relationship between Market Orientation and Competitive Advantage.

D. The Mediating Role of Resource Allocation

Resource Allocation refers to the strategic distribution and utilization of firms' tangible and intangible assets to support organizational goals. In the context of SMEs, effective Resource Allocation is a critical capability that determines whether strategic initiatives, such as market-oriented actions or financial planning, could be translated into actual performance outcomes (Doss, 2013). This capability reflects not only firms' operational efficiency, but also their capability to prioritize investments that yield the highest returns, adapt themselves to dynamic conditions, and sustain competitive advantage.

According to DCT's standpoint, Resource Allocation is a higher-order capability that allows firms to integrate, reconfigure, and deploy resources in response to changing conditions (Teece, 2023). Resource Allocation links strategy formulation with execution by ensuring that limited resources are directed toward innovation, customer service, or cost optimization—three areas with the most defining impacts (Da Silva & Da Silva, 2020). For SMEs operating within complex and often resource-scarce environments, the ability to allocate resources wisely becomes a requisite of agility and strategic leverage.

In relation to Market Orientation, firms that actively gather and analyze market intelligence are better equipped to allocate resources in alignment with customers' needs and market opportunities. This targeted deployment enhances responsiveness and enables firms to act on insights effectively, leading to superior customer value and differentiation (Doss, 2013; Narver & Slater, 1990; Syafriani et al., 2025; Syarifuddin et al., 2025). Market-oriented SMEs are more likely to channel resources toward innovation, product development, and service improvement activities that could directly leverage their competitive position.

Similarly, Strategic Financial Practices provide the framework for structured and informed resource distribution. Main practices, such as budgeting, forecasting, and financial analysis help firms determine where and how to invest capital, manage operational costs, and plan for long-term sustainability (Ahmad, 2024; Gibson & Cassar, 2005). When combined with efficient Resource Allocation, these financial practices enhance the firms' ability to support growth initiatives and withstand external shocks.

Empirical studies have supported the mediating role of Resource Allocation in translating strategic inputs into competitive outcomes. For instance, Symeonidou et al. (2022) and Wang and Oscar (2024) found that resource deployment strategies significantly influence performance in entrepreneurial firms. In SMEs, effective resource orchestration strengthens the link between strategic capabilities and value creation (Sirmon et al., 2011), especially in sectors where flexibility and rapid decision-making are crucial.

Thus, based on these theoretical reasonings, the following hypotheses are proposed:

H4: Resource Allocation mediates the relationship between Market Orientation and Competitive Advantage.
H5: Resource Allocation mediates the relationship between Strategic Financial Practices and Competitive Advantage.

E. The Mediating Role of Financial Reporting Quality

Financial Reporting Quality refers to the degree to which firms' financial statements present accurate, transparent, and timely information that reflects their actual economic performance (Biddle et al., 2009). High-quality financial reporting enables stakeholders, such as investors, creditors, regulators, and internal decision-makers, to make informed judgments regarding the firms' financial health, operational efficiency, and future prospects. For SMEs, which often operate under greater scrutiny and with limited access to external capital, the credibility of financial information is crucial for establishing legitimacy and securing trust.

Financial Reporting Quality is closely tied to Strategic Financial Practices. Main practices, such as budgeting, forecasting, and internal financial controls, form the foundation for producing consistent and verifiable financial information. SMEs that engage in structured financial planning are more likely to maintain detailed records, comply with accounting standards, and provide transparent disclosures, which enhances their financial reporting practices (Yusran, 2023). In turn, this transparency supports more effective resource allocation, stronger governance, and improved access to financing, all of which contribute to Competitive Advantage.

According to RBV's standpoint, Financial Reporting Quality is a valuable, rare, inimitable, and non-substitutable intangible asset that contributes to sustained competitive advantages (Elia et al., 2021). High-quality financial reporting not only supports internal decision-making, but also signals organizational competence and accountability to external stakeholders. Additionally, prior study on financial disclosure has emphasized that transparency reduces information asymmetry, increases investors' confidence, and supports better investment decisions, all of which are critical for growth and strategic execution (Iriyadi & Antonio, 2021).

Empirical studies have affirmed the mediating role of Financial Reporting Quality in the relationship between Strategic Financial Practices and organizational outcomes. For instance, Turzo et al. (2022) found that financial reporting acts as a transmission mechanism through which systematic financial practices influence SMEs' performance and stakeholders' engagement. High-quality reporting enhances internal performance tracking and facilitates strategic planning, enabling firms to act with confidence and agility within competitive environments.

Thus, based on these theoretical reasonings, the following hypothesis is proposed:

H6: Financial Reporting Quality mediates the relationship between Strategic Financial Practices and Competitive Advantage.

F. The Moderating Role of Accounting Information Systems (AIS)

Accounting Information Systems (AIS) are technological frameworks that collect, store, process, and report financial and accounting data to support decision-making and control within a firm. AIS integrates accounting principles with information technology to ensure that financial transactions are recorded accurately, reports are generated in real time, and internal controls are enforced efficiently (Saad, 2023). For SMEs, AIS adoption can significantly enhance their operational efficiency by automating routine financial tasks, reducing human errors, and improving the accuracy and timeliness of financial information.

AIS plays a crucial role in improving the effectiveness of Strategic Financial Practices, such as budgeting, forecasting, and investment planning. By providing real-time financial data, AIS allows SMEs to make informed decisions quickly, track performance indicators closely, and revise financial strategies when necessary. Such enhancement is particularly valuable within volatile and ever-changing environments, where up-to-date information is essential for maintaining competitive responsiveness (Mousa, 2022).

Within resource-constrained SMEs, AIS serves as a compensatory tool that offsets limitations in financial expertise or manpower. Instead of relying solely on manual systems or informal records, AIS-driven SMEs would benefit from structured financial processes and improved reporting capabilities, leading to more consistent and reliable execution of financial strategies (Al-Hashimy et al., 2022; Oudat, 2021). AIS adoption also promotes compliance with financial standards, enhances transparency, and builds credibility with external stakeholders, all of which are essential drivers for long-term survival and growth.

The moderating role of AIS is particularly evident, considering its capability to influence the relationship between Strategic Financial Practices and Competitive Advantage. While financial practices form the foundation of solid financial management, their impact could be amplified by technological support that ensures accuracy, accessibility, and control. In this way, AIS enhances firms' capability to implement financial strategies more effectively, maximize resource use, and respond swiftly to both emerging opportunities and threats.

Thus, based on these theoretical reasonings, the following hypothesis is proposed:

H7: The use of Accounting Information Systems strengthens the relationship between Strategic Financial Practices and Competitive Advantage.

III. METHODOLOGY

A. Research Design

This study adopts a quantitative research approach with a cross-sectional survey design to investigate the effects of Market Orientation and Strategic Financial Practices on Competitive Advantage among Indonesia's retail SMEs. This study also explores the mediating roles of Innovation, Resource Allocation, and Financial Reporting Quality, as well as the moderating role of Accounting Information Systems (AIS). This comprehensive framework allows for the evaluation of both direct and indirect relationships among strategic and financial capabilities.

Table 1. Measurement Items

Construct	Item Code	Item Statement	Source
Market Orientation	MO1	We regularly monitor customers' needs and preferences.	Adapted from Al Azzani et al. (2024)
	MO2	We respond quickly to changes in customers' demands.	
	MO3	We continuously monitor our competitors' actions.	
	MO4	There is effective coordination across departments to serve customers.	
Strategic Financial Practices	SFP1	We prepare financial budgets to guide our business decisions.	Adapted from Ahmad (2024)
	SFP2	We use forecasting tools to anticipate future financial conditions.	
	SFP3	We have clear financial plans for long-term investments.	
	SFP4	Our financial planning supports our strategic goals.	
Innovation	IN1	We frequently introduce new products or services.	Adapted from Garrido-Moreno et al. (2024)
	IN2	We invest in improving our processes and operations.	
	IN3	We adopt new technologies to stay competitive.	
Resource Allocation	RA1	We allocate resources based on strategic priorities.	Adapted from Sirmon et al. (2011)
	RA2	We reallocate resources as needed to meet market changes.	
	RA3	Our resource allocation supports business growth.	
Financial Reporting Quality	FRQ1	Our financial reports are accurate and free from errors.	Adapted from Yusran (2023)
	FRQ2	We provide transparent financial reports to stakeholders.	
	FRQ3	Our financial reports are prepared and shared in a timely manner.	
Accounting Information Systems	AIS1	We use AIS to record and manage financial transactions efficiently.	Adapted from Oudat (2021)
	AIS2	Our AIS provides real-time financial reporting.	
	AIS3	AIS helps us make better financial decisions.	
Competitive Advantage	CA1	Our business has a strong and growing market share.	Adapted from Baker et al. (2022)
	CA2	We are more profitable than our main competitors.	
	CA3	Customers are highly satisfied with our offerings.	
	CA4	We are recognized for our unique value compared to our competitors.	

B. Population and Sample

The target population comprised retail SMEs registered under the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia. A stratified random sampling method was employed to ensure geographical diversity, covering SMEs from Java, Sumatra, Bali, and Sulawesi. A total of 500 valid responses were collected from SMEs owners and financial decision-makers. Referring to the Krejcie and Morgan (1970)'s criteria table, the sample's size was determined in advance to ensure statistical validity and generalizability.

C. Data Collection Procedures

Data were collected from January to March 2024 through structured questionnaires distributed both online and in-person. The questionnaire was developed in Bahasa Indonesia and pilot-tested on 50 SMEs managers to refine the content's clarity and validity. Feedback from the pilot phase proposed the necessary adjustments in terms of wording and format, ensuring the instrument's appropriateness for the target respondents.

D. Measurement of Constructs

Each construct was examined using validated items adapted from prior studies, with all items rated on a seven-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree). Table 1 presents the detailed measurement items and their respective sources.

E. Data Analysis Techniques

Data were analyzed using Structural Equation Modeling (SEM) via SmartPLS 4.0 software. The analysis proceeded in two stages. In the first stage, the measurement model was assessed for reliability using Cronbach's alpha and composite reliability (CR), for convergent validity using Average Variance Extracted (AVE), and for discriminant validity using the Heterotrait-Monotrait (HTMT) ratio and the Fornell-Larcker criterion. To address potential common method variance (CMV), Harman's single-factor test was conducted. In the second stage, the structural model was assessed by testing the direct, mediated, and moderated relationships.

Mediation analysis followed the bootstrapping method (5,000 resamples) as recommended by Hair et al. (2024). The moderating role of AIS in the relationship between Strategic Financial Practices and Competitive Advantage was tested using product-indicator interaction modeling.

F. Ethical Considerations

All participants were informed of this study's purpose, and their participation was entirely voluntary. Respondents were assured of the confidentiality and anonymity of their data, which was used solely for academic purposes. Ethical clearance of this study was obtained from the affiliated university's research ethics committee.

IV. RESULTS

A. Respondents' Profile and Descriptive Statistics

The respondents' profile (Table 2) reveals that the sample comprises 500 SMEs owners or managers, with a slight majority being male (55%) and a significant portion aged from 31 to 40 years old (40%), reflecting the active working age group typically engaged in SMEs management. The majority of respondents hold at least an undergraduate degree (50%), indicating a relatively high educational background among SMEs operators. The majority of firms fall within the small business category (48%), employing 5 to 19 people, and have been operating for 5 to 10 years (46%), suggesting a well-established presence in their respective markets. Geographically, half of the respondents are located in Java (50%), aligning with the region's status as Indonesia's economic hub, while the rest are distributed across Sumatra, Bali, and other regions. This diverse demographic and operational profile provides a comprehensive foundation for analyzing the strategic capabilities and competitive dynamics of Indonesia's retail SMEs.

The descriptive statistics (Table 3) reveal that all constructs examined in this study exhibit relatively high mean values, ranging from 5.28 (Innovation) to 5.63 (Market Orientation), indicating a generally positive perception among respondents regarding their firms' strategic and financial capabilities. The highest mean value in Market Orientation suggests that Indonesia's retail SMEs are particularly responsive to customers' needs, competitive trends, and inter-departmental coordination. Standard deviations of all constructs are below 1.0, reflecting moderate variability and consistent responses across the sample. The ranges of minimum (around 3.0) and maximum values (nearing 7.0), demonstrates an adequate spread of responses, allowing for meaningful variance to be captured in further inferential analyses. These descriptive findings provide a preliminary indication that the constructs are well-distributed and suitable for subsequent structural equation modeling to test the proposed hypotheses.

Table 2. Respondents' Profile

Category	Subcategory	Frequency (n = 500)	Percentage (%)
Gender	Male	275	55
	Female	225	45
Age Group (Years Old)	20–30	150	30
	31–40	200	40
	41–50	120	24
	Above 50	30	6
Educational Background	High School	200	40
	Undergraduate Degree	250	50
	Graduate Degree	50	10
Business's Size	Micro (1–4 employees)	180	36
	Small (5–19 employees)	240	48
	Medium (20–99 employees)	80	16
Length of Operation (Years)	Less than 5	120	24
	5–10	230	46
	More than 10	150	30
Region	Java	250	50
	Sumatra	100	20
	Bali	80	16
	Other Regions	70	14

B. Measurement Model Assessment

The measurement model assessment results (Table 4) demonstrate that all items exhibit strong factor loadings, exceeding the recommended threshold of 0.70, thereby confirming the convergent validity of each construct (Hair et al., 2024). For instance, the items measuring Market Orientation range from 0.83 to 0.88, and the items representing Strategic Financial Practices range from 0.81 to 0.87, indicating that the observed items are highly representative of their corresponding latent constructs. Similarly, Innovation, Resource Allocation, Financial Reporting Quality, AIS, and Competitive Advantage also show satisfactory item loadings, reflecting consistent and reliable measurement. These strong loading values suggest that the measurement items are well aligned with the theoretical definitions of the examined constructs.

Furthermore, the reliability findings affirm the internal consistency of each construct. Cronbach's Alpha values of all constructs exceed 0.80, and Composite Reliability (CR) values of all constructs range from 0.87 to 0.90, both of which surpass the recommended threshold of 0.70. Additionally, the Average Variance Extracted (AVE) values of all constructs exceed 0.66, further confirming that each construct captures a substantial portion of the variance in its items. These results validate the robustness of the measurement model, ensuring its suitability for testing the structural relationships hypothesized in the research framework. Overall, the combination of high factor loadings, strong internal reliability, and adequate AVE values indicates that the measurement model exhibits good psychometric properties and provides a solid foundation for the subsequent structural model analysis.

Table 3. Descriptive Statistics of the Constructs

Construct	Number of Items	Mean	Standard Deviation	Min	Max
Market Orientation	4	5.63	0.82	3.2	7.0
Strategic Financial Practices	4	5.41	0.76	3.5	6.9
Innovation	3	5.28	0.85	2.9	6.8
Resource Allocation	3	5.36	0.79	3.1	6.7
Financial Reporting Quality	3	5.47	0.81	3.3	6.9
Accounting Information Systems	3	5.31	0.77	3.0	6.6
Competitive Advantage	4	5.52	0.83	3.4	7.0

Table 4. Reliability and Convergent Validity of the Measurement Model

Construct	Item Code	Loading Factor	Cronbach's Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)
Market Orientation	MO1	0.84	0.86	0.90	0.70
	MO2	0.88			
	MO3	0.86			
	MO4	0.83			
Strategic Financial Practices	SFP1	0.81	0.85	0.89	0.68
	SFP2	0.85			
	SFP3	0.87			
	SFP4	0.84			
Innovation	IN1	0.82	0.81	0.87	0.69
	IN2	0.79			
	IN3	0.83			
Resource Allocation	RA1	0.80	0.82	0.88	0.66
	RA2	0.84			
	RA3	0.81			
Financial Reporting Quality	FRQ1	0.86	0.84	0.89	0.72
	FRQ2	0.88			
	FRQ3	0.85			
Accounting Information Systems	AIS1	0.83	0.83	0.88	0.70
	AIS2	0.87			
	AIS3	0.86			
Competitive Advantage	CA1	0.82	0.85	0.89	0.71
	CA2	0.85			
	CA3	0.88			
	CA4	0.84			

Source: Data processing (2024)

Table 5. Discriminant Validity of the Constructs Based on the HTMT Ratio

Construct	MO	SFP	IN	RA	FRQ	AIS	CA
Market Orientation (MO)	1.00	0.72	0.65	0.68	0.66	0.61	0.70
Strategic Financial Practices (SFP)		1.00	0.69	0.71	0.73	0.67	0.75
Innovation (IN)			1.00	0.70	0.68	0.63	0.72
Resource Allocation (RA)				1.00	0.74	0.66	0.76
Financial Reporting Quality (FRQ)					1.00	0.69	0.73
Accounting Information Systems (AIS)						1.00	0.68
Competitive Advantage (CA)							1.00

Source: Data processing (2024)

Table 6. Discriminant Validity of the Constructs Based on the Fornell-Larcker Criterion

Construct	MO	SFP	IN	RA	FRQ	AIS	CA
Market Orientation (MO)	**0.84**	0.62	0.58	0.60	0.59	0.55	0.64
Strategic Financial Practices (SFP)	0.62	**0.82**	0.61	0.65	0.66	0.60	0.68
Innovation (IN)	0.58	0.61	**0.83**	0.63	0.61	0.57	0.65
Resource Allocation (RA)	0.60	0.65	0.63	**0.81**	0.67	0.59	0.69
Financial Reporting Quality (FRQ)	0.59	0.66	0.61	0.67	**0.85**	0.63	0.66
Accounting Information Systems (AIS)	0.55	0.60	0.57	0.59	0.63	**0.84**	0.62
Competitive Advantage (CA)	0.64	0.68	0.65	0.69	0.66	0.62	**0.84**

The Heterotrait-Monotrait ratio (HTMT) values (Table 5) confirm that all examined constructs possess adequate discriminant validity. All HTMT values are well below the conservative threshold of 0.85, with the highest being 0.76 between Resource Allocation and Competitive Advantage. These findings suggest that the constructs are empirically distinct from each other, meaning that a construct does not overlap excessively with other ones in the measurement model. The relatively moderate HTMT values, particularly among theoretically related constructs, such as Strategic Financial Practices and Financial Reporting Quality (0.73), reaffirm that the model has successfully differentiated the latent constructs, ensuring that the observed relationships in the structural model are not resulted by conceptual redundancy.

The discriminant validity of each construct based on the Fornell-Larcker criterion (Table 6) further supports the above conclusion, with the square root values of the Average Variance Extracted (AVE) of each construct consistently exceeding the corresponding inter-construct correlations. For instance, the diagonal value of Financial Reporting Quality (0.85) is greater than its correlation with all other constructs, such as Strategic Financial Practices (0.66) and Competitive Advantage (0.66). Similar patterns are noticeable across all constructs, reinforcing the robustness of the measurement model. Taken together, these results provide strong evidence of discriminant validity, confirming that each construct captures a unique aspect of the broader conceptual framework and justifying their inclusion in the subsequent structural model analysis.

C. Common Method Variance and Robustness Assessment

To assess the presence of common method variance (CMV), Harman's single-factor test was conducted by entering all measurement items into an exploratory factor analysis using an unrotated principal component solution. The results reveal that the first factor accounts for 34.7% of the total variance, which is below the commonly accepted threshold of 50% (Kock, 2017). This indicates that no single factor dominates the variance in the dataset, suggesting that common method bias is unlikely to be a significant concern in the model used in this study. Therefore, the model is declared robust and is not substantially affected by systematic measurement error arising from the data collection method.

Table 7. Variance Inflation Factor of Each Construct

Construct	VIF
Market Orientation	2.10
Strategic Financial Practices	2.50
Innovation	2.20
Resource Allocation	1.90
Financial Reporting Quality	2.00
Accounting Information Systems	2.30
Competitive Advantage	2.40

Table 7 presents the Variance Inflation Factor (VIF) values of all constructs in the structural model. The VIF values range from 1.90 to 2.50, all of which fall well below the commonly accepted threshold of 3.3, indicating that multicollinearity is not a concern in this study. This suggests that each construct provides unique explanatory power and that the estimated path coefficients are unlikely to be distorted by overlapping variance among predictor constructs. These results confirm the robustness of the model specification and support the validity of subsequent structural analyses.

D. Structural Model Assessment

The model's fitness indices (Table 8) indicate that the structural model demonstrates a satisfactory overall fitness. The Standardized Root Mean Square Residual (SRMR) value (0.056) is below the recommended threshold of 0.08, suggesting minimal discrepancy between the observed and predicted correlations. The Normed Fit Index (NFI) value (0.921) exceeds the recommended threshold of 0.90, indicating a good comparative fitness relative to that of null model. Both the Unweighted Least Squares Discrepancy (d_ULS = 0.961) and Geodesic Discrepancy values (d_G = 0.879) are relatively low, further confirming that the proposed structural model adequately represents the observed data. These findings collectively suggest that the structural model is statistically valid and provides a reliable basis for interpreting the hypothesized structural relationships.

Table 8. Model's Fitness Indices

Fitness Index	Value	Threshold	Conclusion
Standardized Root Mean Square Residual (SRMR)	0.056	< 0.08	Good fitness
Normed Fit Index (NFI)	0.921	≥ 0.90	Acceptable model's fitness
χ^2	1,124.78	—	Descriptive (used for reference)
Unweighted Least Squares Discrepancy	0.961	Closer to 0 is better	Acceptable
Geodesic Discrepancy	0.879	Closer to 0 is better	Acceptable

Source: Data processing (2024)

Table 9. Testing Results of Direct Effects

Hypothesis	Path	β	t-Value	p-Value	Conclusion
H1	Market Orientation → Competitive Advantage	0.312	5.764	0.001	Supported
H2	Strategic Financial Practices → Competitive Advantage	0.428	7.193	0.001	Supported

Source: Data Processing (2023)

The structural model analysis results reveal strong support for both formally hypothesized relationships. As seen in Table 9, Market Orientation shows a positive and significant influence on Competitive Advantage (β = 0.312, p = 0.001), supporting H1. This suggests that SMEs with a strong orientation toward understanding and responding to customers' needs and market dynamics are more likely to achieve superior performance outcomes. Likewise, Strategic Financial Practices also demonstrate a positive and significant influence on Competitive Advantage (β = 0.428, p = 0.001), confirming H2. This finding underscores the importance of structured financial practices, such as budgeting, forecasting, and investment planning, as a core internal capability that strengthens SMEs' competitive position.

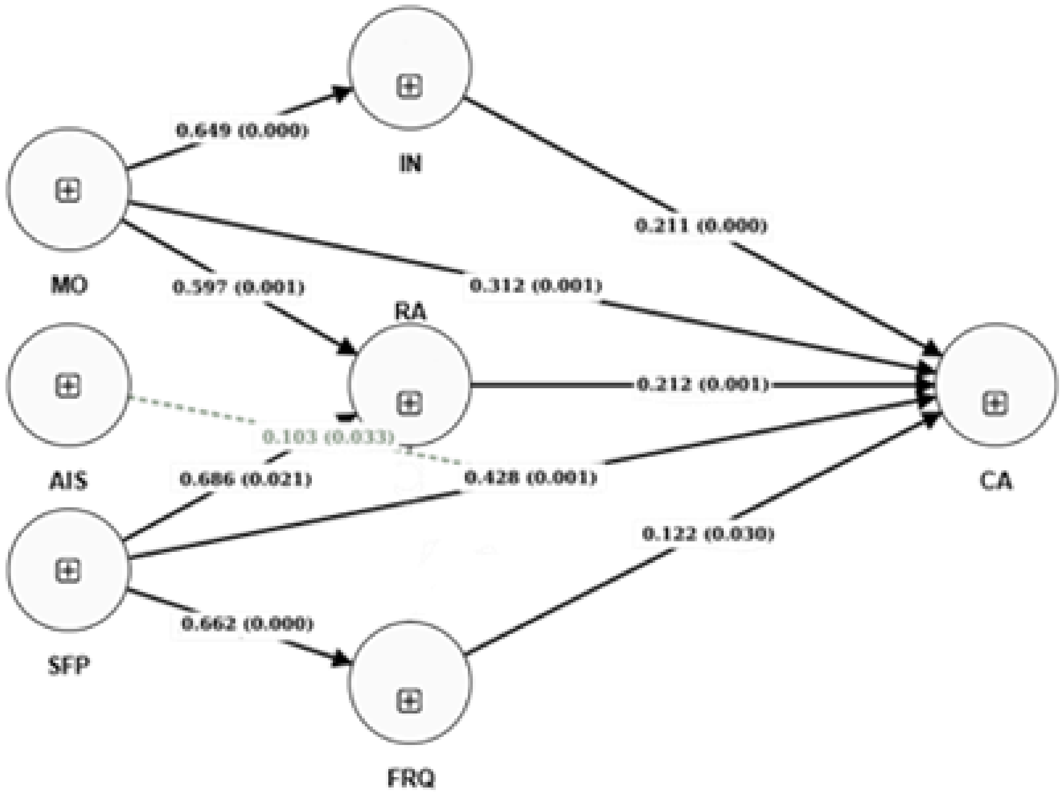

Figure 2. Path Coefficient and p-Value of Each Hypothesis

Beyond the tested hypotheses, several additional paths included in the model (Figure 2) also exhibit statistical significance, offering further insights into the internal mechanisms that contribute to SMEs' competitiveness. Market Orientation shows a strong positive effect on Innovation (β = 0.649, p = 0.000), indicating that firms with greater market insights are more likely to engage in innovative activities. Innovation, in turn, positively influences Competitive Advantage (β = 0.211, p = 0.000), suggesting that Innovation, though not formally hypothesized, acts as a potential channel through which Market Orientation drives performance. Similarly, Market Orientation positively affects Resource Allocation (β = 0.597, p = 0.000), while Resource Allocation itself significantly and positively affects Competitive Advantage (β = 0.212, p = 0.001). These findings point to the strategic role of resource orchestration as an outcome of market-oriented thinking.

Strategic Financial Practices also positively influence Resource Allocation (β = 0.686, p = 0.021), reinforcing the idea that firms with solid financial planning systems are better equipped to allocate resources effectively. Moreover, Strategic Financial Practices significantly enhance Financial Reporting Quality (β = 0.662, p = 0.000), which in turn shows a modest but significantly positive effect on Competitive Advantage (β = 0.122, p = 0.030). These relationships highlight that financial transparency and accurate reporting may serve as secondary enablers of firms' performance by enhancing decision quality and external trust. Notably, the moderating role of Accounting Information Systems (AIS) in the relationship between Strategic Financial Practices and Competitive Advantage is also statistically significant (β = 0.103, p = 0.033). This implies that the presence of AIS strengthens the positive impact of financial practices, functioning as a digital enabler that amplifies the effectiveness of internal financial capabilities.

In summary, while only two direct relationships were formally hypothesized and confirmed (H1 and H2), the broader model structure reveals several significant and meaningful pathways that contribute to a richer understanding of strategic leverage to support SMEs' competitiveness. These additional findings, though not the primary focus of this study, support the conceptual robustness of the model and offer useful directions for future studies.

Table 10. Testing Results of Indirect Effects

Hypothesis	Path	β	t-Value	p-Value	Conclusion
H3	Market Orientation → Innovation → Competitive Advantage	0.147	4.213	0.001	Supported
H4	Market Orientation → Resource Allocation → Competitive Advantage	0.122	3.807	0.001	Supported
H5	Strategic Financial Practices → Resource Allocation → Competitive Advantage	0.163	4.562	0.001	Supported
H6	Strategic Financial Practices → Financial Reporting Quality → Competitive Advantage	0.138	4.009	0.001	Supported
H7	Strategic Financial Practices × Accounting Information System → Competitive Advantage	0.103	3.532	0.033	Supported

Table 10 presents the testing results of the indirect (mediating and moderating) effects in the structural model. All proposed mediation and moderation hypotheses (H3 to H7) are statistically supported at the 0.05 significance level or better, suggesting strong empirical approval for these hypothesized relationships.

H3 testing result confirms that Innovation significantly mediates the relationship between Market Orientation and Competitive Advantage (β = 0.147, t = 4.213, p 0.001). This indicates that market-oriented SMEs could enhance their competitiveness by transforming customer and competitor insights into innovative products, services, or processes. Similarly, H4 testing result shows that Resource Allocation significantly mediates the relationship between Market Orientation and Competitive Advantage (β = 0.122, t = 3.807, p 0.001), suggesting that firms whose operations aligned with actual market needs are more well-positioned to strategically deploy their resources for generating maximum impact.

H5 and H6 testing results validate the mediating roles of Resource Allocation and Financial Reporting Quality in the relationship between Strategic Financial Practices and Competitive Advantage. The path through Resource Allocation (H5: β = 0.163, t = 4.562, p 0.001) demonstrates that effective financial planning enhances firms' ability to prioritize and reallocate resources strategically. Likewise, Financial Reporting Quality (H6: β = 0.138, t = 4.009, p 0.001) emerges as a key mechanism through which systematic financial practices improve transparency, decision-making, and stakeholders' trust, all of which contribute to firms' Competitive Advantage.

Finally, H7 testing examines the moderating role of Accounting Information Systems (AIS). The interaction term between Strategic Financial Practices and AIS is statistically significant (β = 0.103, t = 3.532, p = 0.033), confirming that AIS strengthens the positive effect of Strategic Financial Practices on Competitive Advantage. This implies that SMEs with higher AIS adoption are more likely to translate financial strategies into performance outcomes owing to enhanced accuracy, real-time insights, and improved execution capabilities.

Overall, these findings highlight the multi-layered pathways and conditional effects through which strategic and financial capabilities affect SMEs' competitiveness, asserting the value of integrating digital tools and internal processes within resource-constrained environments, such as Indonesia.

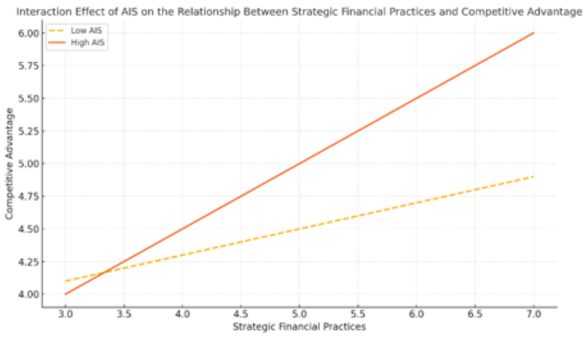

Figure 3. Influencing Role of AIS in the Relationship between Strategic Financial Practices and Competitive Advantage

The interaction plot (Figure 3) illustrates that AIS significantly strengthen the positive relationship between Strategic Financial Practices and Competitive Advantage. As shown, SMEs with high levels of AIS usage would experience a steeper increase in Competitive Advantage as they enhance their financial planning, budgeting, and forecasting activities. In contrast, those with low AIS adoption demonstrate a weaker and flatter slope, indicating a less pronounced impact of financial strategies on their performance. This interaction plot highlights the critical role of AIS in amplifying the effectiveness of financial decision-making, suggesting that the integration of digital accounting tools serves as a strategic enabler for SMEs seeking to translate systematic financial practices into tangible competitive gains.

V. DISCUSSION

The finding that Market Orientation shows a significant and positive effect on Competitive Advantage is consistent with Ha et al. (2021) and Zhou and Verburg (2023)'s works, which viewed Market Orientation as a dynamic resource that enables firms to better understand customers' needs and competitive shifts. In line with Resource-Based View (RBV), this capability is particularly crucial for SMEs within emerging markets, where the conditions are volatile and the demand is fragmented. This study affirms this view, but contributes further by focusing on the underexplored context of Indonesia's retail SMEs. In this regard, Market Orientation helps firms navigate localized consumers' behavior, regulatory uncertainty, and informal business networks. These context-sensitive insights suggest that Market Orientation within emerging markets acts as both a strategic lens and an operational compass. Moreover, this finding supports the broader argument of Dynamic Capabilities Theory (DCT) by showing that market-oriented firms are not only responsive to changes, but also capable of reconfiguring internal processes accordingly.

Strategic Financial Practices are also found to significantly enhance Competitive Advantage, which aligns with both Peprah and Ayaa (2022) and Sadiq and Nosheen (2021)'s findings. However, this study adds new depth by examining financial practices as a multidimensional construct that includes budgeting, forecasting, and investment planning. Unlike earlier studies that typically examine each financial activity separately, this integrated view reveals how systematic financial practices underpin strategic execution within SMEs. Interestingly, the effect of Strategic Financial Practices is also found to be even stronger than that of Market Orientation, emphasizing the critical role of internal processes within Indonesia's SMEs landscape. This is particularly relevant, given that many Indonesia's SMEs lack access to formal financial advisors or external funding and, therefore, must rely heavily on internal capabilities. Based on theoretical standpoint, this finding supports Strategic Management Theory and refines RBV by showing that resource efficiency, when systematized through strategic financial planning, could give birth to a competitive differentiation.

The mediating role of Innovation in the relationship between Market Orientation and Competitive Advantage is supported by Baker et al. (2022) and Keelson et al. (2024)'s findings. Firms that engage in continuous market sensing are more likely to introduce innovations that reflect real-time customers' feedback and market gaps. What differentiates this study from the prior ones is its contextualization of Innovation, which tends to be informal, incremental, and demand-driven, within Indonesia's retail SMEs. Unlike in high-tech sectors where Innovation is often radical and R&D-focused, retail SMEs often innovate through low-cost adaptations, such as redesigning store layouts, bundling services, or modifying local product offerings. This suggests that Innovation within emerging markets should not be considered a monolithic construct. Future studies could further explore this niche by disaggregating Innovation categories into product versus process or incremental versus radical innovations to gain deeper insights of the most effective innovation types within resource-constrained environments.

Resource Allocation is found to mediate the effects of both Market Orientation and Strategic Financial Practices on Competitive Advantage. This finding is consistent with Sirmon et al. (2011) and Teece (2023)'s works, who described resource orchestration as a central dynamic capability. However, this study contributes uniquely by illustrating how SMEs, even with informal structures, can channel limited resources in strategically meaningful ways. Within emerging markets, where external conditions are unstable and access to resources is uneven, the ability to make trade-offs and deploy resources based on market signals is essential. This finding supports the idea that even small firms with limited formal planning systems can engage in high-level strategic behavior when guided by clear financial frameworks and customers' feedback. Moreover, this finding also emphasizes that Resource Allocation is not merely a passive outcome of planning, but also an active mediator that connects strategy formulation and execution.

The mediating role of Financial Reporting Quality in the relationship between Strategic Financial Practices and Competitive Advantage extends

Biddle et al. (2009) and Turzo et al. (2022)'s findings, which emphasized the role of transparency and accountability in enhancing firms' credibility. This study empirically verifies that SMEs with better financial planning are more likely to produce high-quality financial reports, which in turn build stakeholders' trust and support better decision-making. In Indonesia, where many SMEs still operate using informal record-keeping, this finding has important implications. Financial Reporting Quality should be viewed not only as a compliance requirement, but also as a strategic resource that enhances access to capital, improves governance, and strengthens legitimacy. This affirms RBV's point of view that intangible resources that are valuable and inimitable could give birth to sustainable advantages. Additionally, the institutional environment in Indonesia, which often suffers from inconsistent enforcement of financial disclosure laws, makes this resource even more critical for SMEs trying to signal professionalism to banks, investors, and partners.

One of this study's novelty aspect is the moderating role of Accounting Information Systems (AIS). While previous studies have noted the operational benefits of AIS (Oudat, 2021), this study goes further by empirically showing that AIS strengthens the effect of Strategic Financial Practices on Competitive Advantage. Firms with higher AIS adoption show a steeper performance benefit when applying financial planning practices, suggesting that technology acts as a performance multiplier. Theoretically, this extends both RBV and DCT by illustrating how technology does not merely operate as a standalone resource, but also interacts with other capabilities to enhance their effectiveness. In practice, this finding indicates that digital maturity is a boundary condition that determines the strength of internal capability deployment. For policymakers, this highlights the need for interventions that promote AIS adoption among SMEs, particularly small firms that may lack the resources or digital readiness to implement such systems effectively.

Collectively, this study's findings offer important contributions to future examinations on SMEs within emerging markets. The findings suggest that strategic and market-based capabilities do not operate separately, but instead collaborate as a unity within broader capability system that includes innovation, resource orchestration, and digital enablement. The use of AIS as a moderating variable reveals the growing relevance of digital tools in capability development and strategic implementation. Furthermore, this study suggests that internal resources, such as firms' size, technological readiness, and sector-specific conditions, could influence how internal capabilities are translated into actual performance. From another perspective, various external factors, such as government regulations, market turbulence, and institutional support, also shape the activation of these resources. This calls for future studies that integrate the Political, Economic, Sociological, Technological, Ecological, and Legal (PESTEL) framework and institutional theory perspective more explicitly to explore how external factors moderate or mediate the effects of internal resources.

Based on policy standpoint, this study's findings underscore the need for targeted government programs that support digital transformation and financial capability development among SMEs. The corresponding Indonesia's public institutions, such as the Ministry of Cooperatives and Small and Medium Enterprises, should prioritize subsidizing AIS adoption through financial incentives, training programs, or public-private partnerships with software providers. In addition, capacity-building initiatives should go beyond general entrepreneurship training and instead incorporate modules on budgeting, financial reporting, innovation strategy, and resource allocation. Given the critical role of Financial Reporting Quality in enhancing competitiveness, government agencies could introduce simplified accounting templates and digital tools tailored to SMEs with low financial literacy. Moreover, regional development programs could offer tiered support based on firms' size and digital readiness, ensuring that micro and small enterprises receive the necessary foundational tools to shift their operational styles into more formal and competitive ones. Such interventions not only support firm-level growth, but also contribute to national economic resilience and inclusivity.

The broader academic implication of this study is the introduction of an integrative framework that links financial, strategic, and technological constructs into a unified model. By empirically validating this model using data from Indonesia's retail SMEs, this study offers a robust template for examining capability-based competitiveness within other emerging markets. This study's framework could also encourage researchers to move beyond siloed analyses and instead examine how bundles of capabilities, including digital infrastructure and reporting transparency, interact to drive firms' performance. As digitalization and sustainability concerns have been reshaping today's competitive landscape, future studies can build on this framework to explore how emerging technologies, environmental practices, and social responsibility initiatives intersect with financial and strategic foundations within SMEs' operational styles.

VI. CONCLUSION

This study examines the influence of Market Orientation and Strategic Financial Practices on Competitive Advantage among Indonesia's retail SMEs, incorporating the mediating roles of Innovation, Resource Allocation, and Financial Reporting Quality, as well as the moderating role of Accounting Information Systems (AIS). This study's findings confirm that both market-oriented behavior and robust financial planning significantly enhance firms' competitive edge. Moreover, the mediating variables play critical roles in translating strategic intentions into tangible outcomes, highlighting the importance of internal capabilities in value creation. The moderating role of AIS further emphasizes the need for digital integration, as it strengthens the effect of structured financial practices on competitive performance.

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Overall, this study contributes to the existing literature by offering a comprehensive and integrative model that captures how market and financial strategies interact with organizational processes and technology to shape SMEs' competitiveness. This study also provides practical implications for managers and policymakers, particularly within emerging economies, where resource constraints emphasize the need for even more effective deployment of strategic capabilities. Moreover, this study lays the groundwork for future studies to explore sectoral comparisons, cross-country validations, and the dynamic effects of digital transformation and sustainability practices on SMEs' strategy and performance within today's evolving global business landscape.

Despite offering valuable insights, several limitations of this study need to be acknowledged and addressed in future studies. Firstly, the use of a cross-sectional research design restricted the ability to draw causal inferences, as relationships among constructs were measured only at a single point in time. As a solution, future studies could adopt a longitudinal approach to explore how the interactions among financial practices, innovation, and AIS evolve across different business cycles or growth stages. Secondly, this study focused exclusively on Indonesia's retail SMEs, which may limit the findings' generalizability to other sectors or countries. To enhance external validity, future studies could replicate this approach in manufacturing, service, or technology-intensive SMEs, or conduct comparative studies across multiple emerging markets. Thirdly, the reliance on self-reported survey data raised the potential for common method bias and social desirability effects. Although statistical findings showed that common method bias was not a significant issue, future studies should incorporate multi-source data, such as financial statements, customer ratings, or employee assessments, to further validate the examined constructs. Finally, this study did not employ moderating variables beyond AIS, such as environmental uncertainty, regulatory quality, or cultural orientation. Incorporating such contextual moderators using institutional theory perspective or the PESTEL framework would provide a richer understanding of how external factors shape the effectiveness of internal capabilities.

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DECLARATION OF ARTICLE'S ORIGINALITY

The authors declare that this article is an original work and has not been published previously nor is it under consideration for publication elsewhere. All sources used have been properly cited and acknowledged. The research, analysis, and findings presented in this article are the results of the authors' own work and intellectual effort.

DISCLOSURE STATEMENT

The authors declare that there were no conflicts of interest, either concerning financial or ethical aspect, that could have influenced the outcomes or interpretation of this study. No competing interests have occurred with respect to the authorship and publication of this article.

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