KIRANA : Social Science Journal
Volume 3, Number 2, 2026 pp. 48-58
E-ISSN : 3062-780X
DOI https://doi.org/10.61579/kirana.v3i2.947
Open Access: https://ejournal.sagita.or.id/index.php/kirana

The influence of business experience and accounting knowledge on business success through MSME management

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A R T I C L E I N F O
Article history:
17 June 2026
Received in revised form 20 June 2026
Accepted 20 July 2026
Available online 20 July 2026

Keywords:
business experience, accounting knowledge, MSME management, business success.

Kata Kunci:
pengalaman bisnis, pengetahuan akuntansi, manajemen UMKM, keberhasilan bisnis.

A B S T R A C T

This explanatory quantitative study aims to examine and analyze the impact of entrepreneurial experience and accounting knowledge on business success, mediated by MSME management. The study population consists of all MSME operators in Gorontalo City, with a sample selected using the purposive sampling method. Data were collected via questionnaires (both in-person and online) and analyzed using Partial Least Squares-Structural Equation Modeling (PLS-SEM) via SmartPLS. Data processing stages included descriptive statistics and outer model testing (specifically convergent validity via loading factors and Average Variance Extracted/AVE). Initial testing revealed that indicators PP1, PP3, and KU2 had loading factors below 0.70. Nevertheless, the instrument remained valid as the AVE values for all variables exceeded 0.50. Following adjustments—specifically the removal of those non-significant indicators—all remaining indicators achieved loading factors above 0.70. The resulting AVE values were: Business Experience (0.676), Accounting Knowledge (0.599), Business Success (0.709), and MSME Management (0.750). These results demonstrate that the research instrument met ideal convergent validity standards; thus, the data were deemed valid and ready for the subsequent structural model (inner model) analysis.

A B S T R A K

Penelitian kuantitatif eksplanatori ini bertujuan menguji dan menganalisis dampak pengalaman berwirausaha serta pengetahuan akuntansi terhadap keberhasilan usaha melalui pengelolaan UMKM. Populasi penelitian adalah seluruh pelaku UMKM Kota Gorontalo, dengan sampel yang dipilih menggunakan metode purposive sampling. Data dikumpulkan melalui kuesioner (langsung dan daring), lalu dianalisis menggunakan Partial Least Squares-Structural Equation Modeling (PLS-SEM) via SmartPLS. Tahapan pengolahan data meliputi statistik deskriptif dan pengujian outer model (validitas konvergen melalui loading factor dan Average Variance Extracted/AVE). Pada pengujian awal, indikator PP1, PP3, dan KU2 memiliki loading factor di bawah 0,70. Meski demikian, kuesioner tetap memenuhi syarat karena nilai AVE semua variabel sudah di atas 0,50. Setelah dilakukan penyesuaian dengan menghapus indikator yang tidak signifikan tersebut, seluruh indikator yang tersisa berhasil mencapai nilai loading factor di atas 0,70. Nilai AVE yang dihasilkan adalah. Pengalaman usaha: 0,676, Pengetahuan akuntansi: 0,599, Keberhasilan usaha: 0,709, Pengelolaan UMKM: 0,750. Hasil ini membuktikan bahwa instrumen penelitian telah memenuhi standar validitas konvergen yang ideal, sehingga data dinyatakan valid dan siap digunakan untuk pengujian model struktural (inner model) berikutnya.

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1. INTRODUCTION

The Micro, Small, and Medium Enterprise (MSME) sector plays a strategic role in Indonesia's economy by creating employment opportunities that improve citizens' livelihoods and by stimulating domestic economic growth. Amidst economic volatility, this sector has demonstrated robust resilience. However, the massive growth in the number of MSMEs has not been matched by a commensurate improvement in management practices and business performance. Many business owners continue to face internal challenges, such as limited managerial competence, poor financial governance, and a lack of business decisions grounded in accounting data (Setiawan et al., 2024).

This situation indicates that the majority of MSMEs are still managed using conventional methods—relying solely on intuition or empirical experience—without the support of adequate accounting literacy. Consequently, structured transaction recording is lacking, standard financial reporting is not being met, and financial data is not utilized to inform business policy decisions. These limitations hinder cash flow monitoring, precise profit forecasting, and the formulation of expansion plans, ultimately threatening the business's very sustainability (Astuti et al., 2024).

On one hand, the duration or extent of entrepreneurial experience is often regarded as a crucial asset for strengthening a business owner's capability to mitigate risks, interpret market dynamics, and succeed in a competitive landscape. The underlying assumption is that the more extensive an entrepreneur's experience, the more refined their skills in managing business operations become. However, such experience does not automatically guarantee financial success unless accompanied by managerial expertise and a comprehensive understanding of financial information (Daniyati, Wulandari, & Nasiruddin, 2024).

In addition to experience, a mastery of accounting principles is a crucial determinant of business success. Through an understanding of accounting, MSME operators can prepare financial statements, achieve cost efficiencies, allocate budgets, and objectively measure business performance. These valid financial data outputs serve as a primary foundation for making more accurate strategic decisions aimed at boosting competitiveness and business sustainability (Harefa & Sri, 2024).

Nevertheless, a number of previous studies reveal inconsistent findings (a research gap). Some literature confirms the positive impact of business experience and accounting proficiency on business progress and the utilization of accounting data. Conversely, other studies find that these two aspects do not yield a significant direct impact unless business management systems are implemented effectively. It is precisely this contradiction in findings that underscores the need for further investigation to clarify the correlations between these variables (Saputra & Kusumawati, 2025).

Another gap in prior research concerns the conceptual models employed. Most previous studies have tended to focus narrowly on testing the direct impact of business experience and accounting literacy on business performance or the adoption of financial information. From a theoretical standpoint, however, business success stems not merely from the entrepreneur's cognitive attributes and practical experience, but also from how these assets are applied through effective business governance practices. Consequently, MSME management practices are hypothesized to serve as a mediating variable linking business experience, accounting understanding, and business success (Junianto, Hartiyah, & Mutmainah, 2023).

Addressing the limitations of prior studies, the novelty of this research lies in positioning MSME governance—or management—as an intervening (mediating) variable that links business experience and accounting knowledge to business success. Through this model, the study aims to elucidate the comprehensive mechanism by which effective managerial practices transform the capital of experience and accounting expertise into business success. Furthermore, the use of the most up-to-date empirical data is expected to add significant value to the body of literature regarding the determinants of MSME success in Indonesia (Saputra & Kusumawati, 2025).

2. METHOD

This study employs an explanatory quantitative approach, aiming to explain causal relationships between variables using statistical methods. Specifically, it examines how business experience and accounting knowledge influence business success—both directly and indirectly—with MSME management serving as a mediating (intervening) variable. The study subjects are active MSME operators in a selected region, chosen based on the alignment of their characteristics with the target profile. The research process was conducted in stages, encompassing proposal development, instrument design, questionnaire distribution, data processing and analysis, and the finalization of the research report.

This study employs a quantitative approach with an explanatory research design. This approach was selected to examine the causal relationships between variables through statistical analysis based on respondent data. The variables under study include business experience and accounting knowledge as independent variables, business success as the dependent variable, and MSME management as the intervening variable. Through this method, the magnitude of both direct and indirect effects between variables can be clearly identified. The study population comprises all MSME operators in the research area who meet specific criteria. Given the large population size and constraints regarding time and cost, purposive sampling was used to select the sample. The established sampling criteria required participants to be MSME owners or managers who had been in operation for at least one year, possessed business management experience, and were willing to participate. The sample size was determined based on the requirements for Partial Least Squares-Structural Equation Modeling (PLS-SEM) analysis—specifically, a range of five to ten times the total number of research indicators—to satisfy the conditions for structural model testing.

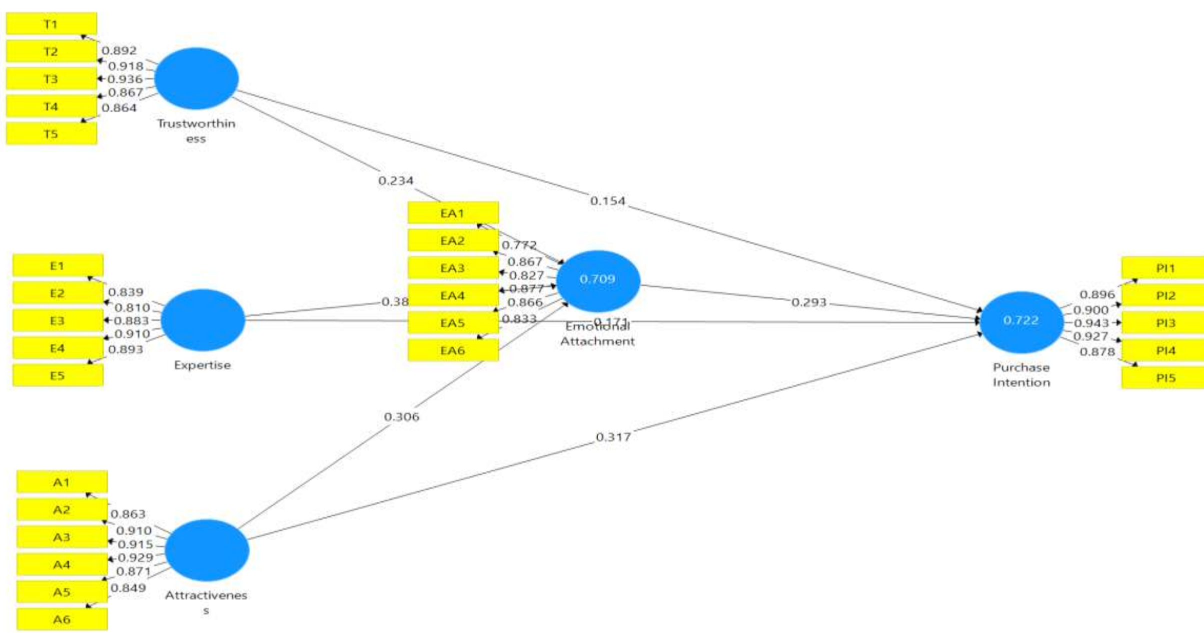
The research data sources are categorized into primary and secondary data, all of which are processed as quantitative data. Primary data were obtained directly by distributing questionnaires—based on variable indicators—to MSME operators to gather their response scores. Meanwhile, secondary data were sourced from supporting references such as scientific journals, books, official government agency reports, and similar documents addressing topics such as MSME management, accounting knowledge, business experience, and business success.

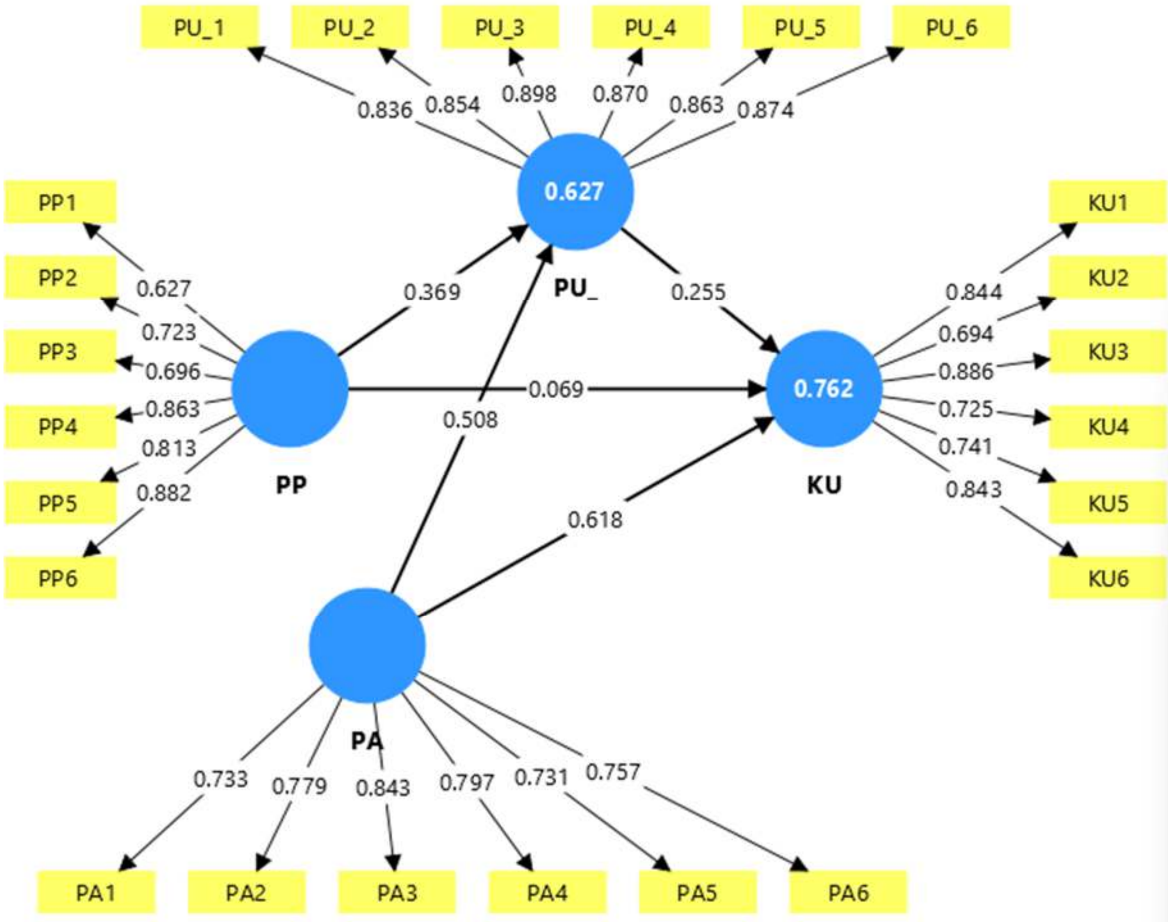
Analisis Data

To examine the causal relationships between variables and the role of the mediating variable, this study utilizes the SmartPLS application to process the collected data. The analysis begins with descriptive statistics to present an overview of respondent characteristics (including age, gender, education level, business tenure, and business type) and the distribution of responses for each variable. Subsequently, the measurement model (outer model) is evaluated through tests for convergent validity (factor loading and AVE), discriminant validity (cross-loading and the Fornell-Larcker criterion), and reliability (Cronbach's Alpha and Composite Reliability). Once the outer model meets the required criteria, the next step is the evaluation of the structural model (inner model) to assess the model's ability to explain inter-variable relationships using the coefficient of determination, predictive relevance, and effect size values. The final stage of the analysis involves hypothesis testing via bootstrapping procedures, based on path coefficients, t-statistics, and p-values. Hypotheses are accepted if the t-statistic exceeds 1.96 and the p-value is less than 0.05 (at a 5% significance level). In addition to direct effects, this study analyzes indirect effects to determine whether MSME management acts as a mediating variable in the relationship between business experience, accounting knowledge, and business success.

3. RESULT AND DISCUSSION

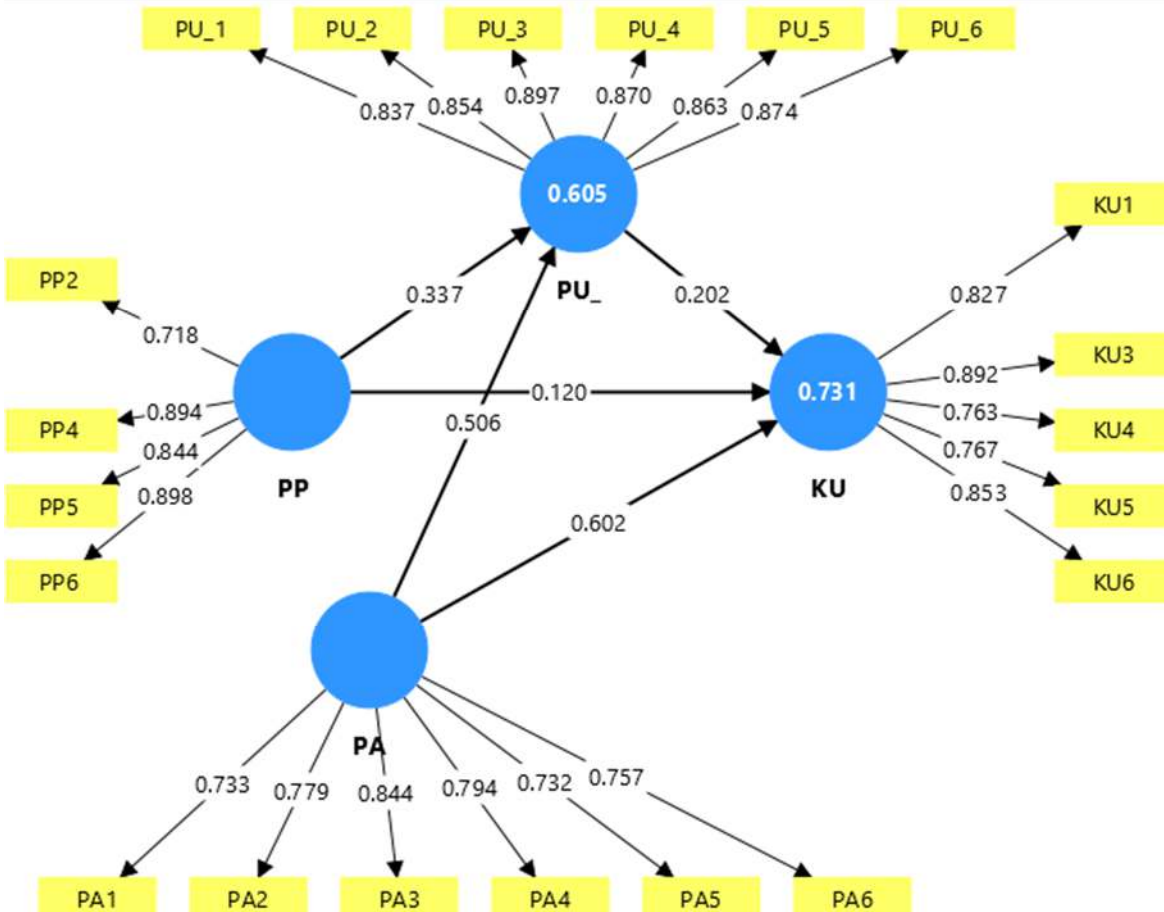
The measurement model for validity and reliability tests, the coefficient of determination of the model and the path coefficient for the equation model can be seen below.





Variabel	Dimensi	Loading Factor	AVE	Keterangan
Pengaruh Pengalaman	PP1	0,627	0,597	Tidak Valid
	PP2	0,723		Valid
	PP3	0,696		Tidak ValidValid
	PP4	0,863		Valid
	PP5	0,813		Valid
	PP6	0,882		Valid
Pengetahuan Akuntansi	PA1	0,733	0,600	Valid
	PA2	0,779		Valid
	PA3	0,843		Valid
	PA4	0,797		Valid
	PA5	0,731		Valid
	PA6	0,757		Valid
Keberhasilan Usaha	KU1	0,844	0,628	Valid
	KU2	0,694		Tidak Valid
	KU3	0,886		Valid
	KU4	0,725		Valid
	KU5	0,741		Valid
	KU6	0,843		Valid

Variabel	Dimensi	Loading Factor	AVE	Keterangan
Pengelolaan Uang	PU1	0,836	0,750	Valid
	PU2	0,854		Valid
	PU3	0,898		Valid
	PU4	0,870		Valid
	PU5	0,863		Valid
	PU6	0,874		Valid



Variabel	Dimensi	Loading Factor	AVE	Keterangan
Pengaruh Pengalaman	PP2	0,718	676	Valid
	PP4	0,894		Valid
	PP5	0,844		Valid
	PP6	0,898		Valid
Pengetahuan Akuntansi	PA1	0,733	599	Valid
	PA2	0,779		Valid
	PA3	0,844		Valid
	PA4	0,794		Valid
	PA5	0,732		Valid
	PA6	0,757		Valid
Keberhasilan	KU1	0,827	709	Valid

Variabel	Dimensi	Loading Factor	AVE	Keterangan
Usaha	KU3	0,892		Valid
	KU4	0,763		Valid
	KU5	0,767		Valid
	KU6	0,853		Valid
Pengelolaan Uang	PU1	0,837	750	Valid
	PU2	0,854		Valid
	PU3	0,897		Valid
	PU4	0,870		Valid
	PU5	0,863		Valid
	PU6	0,874		Valid

Discussion

According to Hair et al. (2022), convergent validity is considered satisfactory if indicator loading factor values exceed 0.70. This assessment evaluates the strength of indicators in measuring their respective latent constructs, utilizing loading factor values and Average Variance Extracted (AVE) as primary metrics. If an indicator exhibits a loading factor between 0.60 and 0.70, it need not be immediately removed, provided the construct's AVE exceeds 0.50 and is supported by strong reliability. In conclusion, the assessment of convergent validity is based on a combination of loading factor values and the construct's ability to explain the variance of the associated indicators.

Based on the convergent validity test, the Business Experience variable is deemed valid as it possesses an Average Variance Extracted (AVE) value of 0.597, thereby exceeding the minimum threshold of 0.50. However, indicators PP1 (0.627) and PP3 (0.696) recorded loading factor values below 0.70. This indicates that these two indicators are suboptimal in reflecting the Business Experience construct. Meanwhile, indicators PP2, PP4, PP5, and PP6 exhibited loading factor values of 0.723, 0.863, 0.813, and 0.882, respectively; thus, they are considered valid and capable of effectively representing the business experience variable. These results demonstrate that, overall, the business experience variable satisfies convergent validity requirements, despite certain indicators contributing less than others. This situation may stem from variations in the experiences possessed by individual MSME operators—whether regarding the duration of business operations, the ability to handle business challenges, or experience in decision-making. Research by Daniyati, Wulandari, and Nasiruddin (2024) supports this finding, noting that business experience serves as a crucial asset for MSME operators in enhancing managerial capabilities, navigating changes in the business environment, and fostering business success. The richer an entrepreneur's experience, the more adept they become at steering and scaling their business.

The Accounting Knowledge variable met the criteria for convergent validity, with an AVE value of 0.600 and all factor loadings exceeding 0.70. These results indicate that the research indicators successfully reflect the competence of MSME operators in recording transactions, preparing financial statements, understanding balance sheet elements (assets, liabilities, and equity), and leveraging accounting data for business policy decisions. Proficiency in accounting enables MSMEs to generate accurate financial data, which is essential for business planning, control, and evaluation functions. Furthermore, these findings reinforce the study by Mowa (2025), which posits that accounting knowledge plays a vital role in the quality of MSME financial management, as it allows business operators to prepare structured financial statements that support strategic business decisions.

An AVE value of 0.628 confirms that the convergent validity requirement for the Business Success variable has been met. The majority of indicators (KU1, KU3, KU4, KU5, and KU6) yielded valid results with loading factor values exceeding 0.70, with the exception of indicator KU2, which recorded a value of 0.694. Nevertheless, the variable is considered to successfully represent the indicators within the study. The variation in weights across indicators reflects the diverse real-world situations of the respondents' businesses. Indeed, business success cannot be reduced merely to profitability; the ability to sustain operations, expand the customer base, and build assets also plays a crucial role. As emphasized by the OECD (2023), the primary indicator of MSME success in today's competitive market is the flexibility to adapt, survive, and continue growing, rather than simply the amount of profit generated.

Based on the analysis, MSME money management emerged as the variable with the highest performance. All its measurement indicators were found to be valid and highly reliable, exhibiting loading factors exceeding 0.80 and an AVE value of 0.750. This indicates a robust relationship among the indicators in explaining the money management dimension, which encompasses planning, transaction recording, cost control, budgeting, and financial evaluation. These findings underscore the fact that financial aspects are a vital element of business operations. The results also support the view held by Bank Indonesia (2022) that optimal financial management is a crucial foundation for MSMEs to survive and grow—particularly regarding cash flow control, resource optimization, and strengthening resilience against market risks. All research variables met the measurement model adequacy criteria through convergent validity testing, with AVE values consistently exceeding 0.50. Although indicators PP1, PP3, and KU2 showed loading factors below the ideal standard, this did not invalidate the constructs, as the majority of other indicators demonstrated high values in explaining the latent variables. In conclusion, the instrument meets the requirements for further analysis using SmartPLS, including reliability testing, inner model evaluation, and hypothesis testing.

Based on the model modification results, all indicators in this study met the requirements for convergent validity. The modification process involved eliminating indicators with loading factors below the threshold, ensuring that the remaining indicators had loading factor values exceeding 0.70. This convergent validity is further supported by the Average Variance Extracted (AVE) values for each variable, all of which exceeded 0.50: Business Experience (0.676), Accounting Knowledge (0.599), Business Success (0.709), and MSME Financial Management (0.750). These figures demonstrate that each construct explains more than 50% of the variance in its indicators, thereby confirming the convergent validity of the research instrument.

Based on the test results, the "Business Experience" construct is adequately represented by indicators PP2 (0.718), PP4 (0.894), PP5 (0.844), and PP6 (0.898), supported by an AVE value of 0.676. These figures reflect the interconnectedness of problem-solving, decision-making, and business development strategies in shaping the experience profile of MSME operators. As business experience grows, the operators' readiness to identify strategic opportunities, minimize potential losses, and sustain their businesses is also enhanced. These empirical findings support the literature by Daniyati, Wulandari, and Nasiruddin (2024), which states that accumulated experience sharpens managerial functions and decision quality—key drivers of MSME performance success.

The Accounting Knowledge variable demonstrated excellent performance, evidenced by all indicators having loading factors exceeding 0.70 and an AVE value reaching 0.599. This achievement confirms that these indicators effectively represent the ability of MSME operators to record transactions, prepare financial statements, and utilize accounting information for decision-making. With a solid understanding of accounting, business owners can produce more accurate financial statements to consistently monitor their financial health. Such financial information is crucial for formulating business strategies, controlling costs, and optimizing operational efficiency. This aligns with the IFRS Foundation's (2021) view that high-quality financial information enhances the accuracy of economic decisions while safeguarding business sustainability, including within the MSME sector.

Based on the analysis, the "Business Success" construct demonstrates strong explanatory power—following the elimination of low-quality indicators—as evidenced by a loading factor exceeding 0.70 and an AVE of 0.709. The retained indicators capture MSME performance more consistently. These findings demonstrate that MSME success is not solely a matter of revenue or profit; it also encompasses operational resilience, customer acquisition, market expansion, and long-term sustainability. This conclusion reinforces the OECD (2023) study, which links contemporary MSME success to adaptability, competitiveness, and sustainable business growth.

On the other hand, the MSME Money Management variable recorded the highest AVE value at 0.750, with loading factors for all its indicators ranging from 0.837 to 0.897. These figures demonstrate a very strong link between the indicators and the money management construct, while also reflecting the proficiency of MSME operators in efficiently planning, recording, controlling, and evaluating business finances. This high level of validity underscores that financial management is the most consistent element in this study. Sound financial management practices assist business owners in managing cash flow, separating personal and business assets, preparing budgets, and periodically monitoring operational performance. These findings support the assertion by Bank Indonesia (2022) that robust financial management is a key pillar for driving MSME productivity, efficiency, and business continuity, as it facilitates business decision-making based on valid financial data.

4. CONCLUSION

Based on the measurement model evaluation within the Partial Least Squares-Structural Equation Modeling (PLS-SEM) analysis, the research instrument—which examines the influence of business experience and accounting knowledge on business success mediated by MSME financial management—was confirmed to possess convergent validity. During the initial testing phase, indicators PP1 and PP3 (business experience) and KU2 (business success) were eliminated because their loading factor values fell below the standard threshold. Nevertheless, the Average Variance Extracted (AVE) values for all variables exceeded 0.50 from the outset. Following model modification through the removal of these invalid indicators, the quality of the measurement model improved significantly, with all loading factor values rising above 0.70. The final AVE values for the respective constructs were 0.676 (Business Experience), 0.599 (Accounting Knowledge), 0.709 (Business Success), and 0.750

(MSME Financial Management). These figures demonstrate that each variable accounts for more than 50% of the variance in its constituent indicators. The MSME Financial Management variable exhibited the highest measurement quality (AVE = 0.750), indicating that the financial indicators most strongly represent the construct. Following these refinements, all variables met the requirements for convergent validity and were deemed ready for structural analysis. With all statistical criteria for the measurement model (outer model) evaluation satisfied, the study could proceed to the structural model (inner model) assessment, reliability testing, and hypothesis testing to derive accurate conclusions regarding the relationships between the variables.

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