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The Effect of Competitive Strategy and Strategic Capabilities on the Financial Performance of MSMEs in Surakarta City from the Perspective of Strategic Management Accounting

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Abstract:
This study aims to analyze the effect of competitive strategy and strategic capabilities on the financial performance of Micro, Small, and Medium Enterprises (MSMEs) in Surakarta City, with Strategic Management Accounting (SMA) as a moderating variable. Competitive strategy in this study consists of cost leadership, differentiation, and focus strategy, while strategic capabilities include market orientation, innovation capability, and digital financial capability. This study employs a quantitative approach, with MSMEs in Surakarta City as the unit of analysis. The respondents are business owners, managers, or individuals who have an adequate understanding of business strategy and performance. Primary data are collected through questionnaires and analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM). This study examines the effect of each dimension of competitive strategy and strategic capabilities on the financial performance of MSMEs and investigates the moderating role of Strategic Management Accounting in these relationships. From the Resource-Based View (RBV) perspective, competitive strategy and strategic capabilities are considered internal capabilities that can support the creation of competitive advantage, while Strategic Management Accounting provides strategic information to support business decision-making. This study is expected to contribute theoretically to the development of strategic management accounting literature and provide practical implications for MSME owners in formulating appropriate strategies, strengthening internal capabilities, and utilizing strategic information to improve financial performance.

Keywords: competitive strategy, strategic capabilities, Strategic Management Accounting, financial performance, MSMEs, Resource-Based View.

Background

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in Indonesia's economic development. The rapid development of globalization and digital transformation has created an increasingly dynamic and competitive business environment, requiring MSMEs to continuously adapt to changes in consumer behavior, technological developments, and market competition. MSMEs are no longer expected merely to offer products at competitive prices but also to create added value through product innovation, a better understanding of customer needs, and the effective use of digital technology.

The significant role of MSMEs can be seen from their contribution to the Indonesian economy. Based on data from the Ministry of Cooperatives and SMEs, Indonesia has approximately 66 million MSMEs, which absorb around 97% of the national workforce and contribute more than 60% of the national Gross Domestic Product (GDP). These figures demonstrate that MSMEs

are one of the main pillars of Indonesia's economy and have an important role in employment creation and national economic growth.

Despite their substantial contribution, MSMEs continue to face various challenges, particularly in accessing formal financing and utilizing digital technology. According to data presented in this study, the MSME financing gap in Indonesia is estimated at approximately IDR 1,600–1,700 trillion. Furthermore, Indonesia's financial inclusion rate has reached approximately 85.10%, while the financial literacy rate remains at around 65.43%. This difference indicates that increased access to financial services has not been fully accompanied by an adequate understanding of how to effectively use such services. In addition, as of 2025, only approximately 45% of MSMEs had been connected to the digital ecosystem. These conditions indicate that many MSMEs still experience limitations in business strategy management, access to financing, digital technology utilization, and the effective use of management accounting information.

Similar challenges can also be observed among MSMEs in Surakarta City, one of the centers of economic activity and entrepreneurship in Central Java. Surakarta has a diverse MSME sector, particularly in trade, culinary businesses, handicrafts, and creative industries. Although the development of MSMEs in the city has shown a positive trend, not all businesses have achieved optimal financial performance. Some MSMEs continue to face difficulties in increasing sales, expanding their market share, improving profitability, and utilizing digital technology and financial records effectively. This situation suggests that an increase in the number of MSMEs does not necessarily lead to sustainable improvements in financial performance.

Financial performance is an important indicator of business success because it reflects an organization's ability to generate profits, increase sales, expand market share, and maintain business sustainability. In the context of MSMEs, financial performance is influenced not only by external business conditions but also by the organization's internal ability to formulate appropriate business strategies and develop strategic capabilities. Therefore, identifying the strategic factors that can improve MSME financial performance is important for strengthening competitiveness and supporting sustainable business growth.

One factor considered important in improving financial performance is competitive strategy. Porter's competitive strategy framework identifies three main strategies: cost leadership, differentiation, and focus strategy. Cost leadership emphasizes operational efficiency and cost control, differentiation focuses on creating unique products or services that provide greater value to customers, while focus strategy concentrates organizational resources on serving specific market segments. The effective implementation of these strategies can strengthen competitive advantage and ultimately contribute to better financial performance.

However, competitive strategy alone may not be sufficient to achieve sustainable performance. From the Resource-Based View (RBV) perspective, competitive advantage also depends on an organization's internal resources and capabilities. Therefore, this study incorporates strategic capabilities consisting of market orientation, innovation capability, and digital financial capability. Market orientation enables MSMEs to understand and respond to customer and market needs, innovation capability supports the development of new products, services, and business processes, while digital financial capability enables MSMEs to effectively utilize

digital technology in financial activities, such as digital payments, transaction recording, and financial management.

The effectiveness of competitive strategies and strategic capabilities also depends on the availability and utilization of relevant information for business decision-making. In this context, Strategic Management Accounting (SMA) is particularly relevant because it provides strategic information related to costs, customers, competitors, pricing, markets, and organizational performance. Such information can help MSMEs formulate and implement business strategies more effectively. Therefore, this study positions Strategic Management Accounting as a moderating variable that may strengthen or weaken the relationship between competitive strategy and strategic capabilities and the financial performance of MSMEs.

Previous studies have examined competitive strategy, market orientation, innovation capability, digital capabilities, and organizational performance. However, their findings remain inconsistent, and studies integrating competitive strategy and strategic capabilities within a single model are still relatively limited, particularly in the context of MSMEs in Surakarta City. Furthermore, studies that position Strategic Management Accounting as a moderating variable in explaining the relationship between these strategic factors and MSME financial performance remain limited in the Indonesian context.

Based on these conditions, this study examines the effects of cost leadership, differentiation, focus strategy, market orientation, innovation capability, and digital financial capability on the financial performance of MSMEs in Surakarta City, while also examining the moderating role of Strategic Management Accounting. By integrating competitive strategy, strategic capabilities, and Strategic Management Accounting, this study is expected to provide a more comprehensive understanding of the factors that contribute to improving the financial performance and competitiveness of MSMEs.

THEORETICAL FRAMEWORK

Resource-Based View (RBV)

This study primarily adopts the Resource-Based View (RBV) as its theoretical foundation. According to Barney (1991), sustainable competitive advantage can be achieved when an organization possesses and effectively utilizes resources and capabilities that are valuable, rare, inimitable, and non-substitutable (VRIN). From this perspective, organizational performance is determined not only by external market conditions but also by the organization's ability to develop and manage its internal resources and strategic capabilities.

In the context of MSMEs, RBV provides a theoretical explanation of how competitive strategies and strategic capabilities can contribute to financial performance. This study considers cost leadership, differentiation, and focus strategy as organizational abilities to strategically utilize available resources to create competitive advantage. Cost leadership reflects the ability to efficiently manage resources and control costs, differentiation represents the ability to create unique value for customers, while focus strategy reflects the ability to understand and effectively serve specific market segments.

In addition to competitive strategy, this study identifies market orientation, innovation capability, and digital financial capability as strategic capabilities. Market orientation represents an organization's ability to obtain, disseminate, and utilize market information to

understand customer needs and respond to changes in the business environment. Innovation capability refers to the organization's ability to develop and implement new ideas, products, services, and business processes. Meanwhile, digital financial capability reflects the ability of MSMEs to utilize digital technologies to support financial activities, including transaction recording, cash flow management, digital payments, and financial decision-making.

Therefore, from the RBV perspective, these competitive strategies and strategic capabilities represent internal organizational resources and capabilities that may enable MSMEs to develop competitive advantages and ultimately improve their financial performance.

Strategic Management Accounting (SMA)

This study also employs Strategic Management Accounting (SMA) to complement the Resource-Based View. SMA emphasizes the use of accounting information with a strategic orientation to support organizational planning, control, and decision-making. Unlike traditional management accounting, which primarily focuses on internal financial information, SMA incorporates broader strategic information concerning costs, customers, competitors, markets, pricing, and organizational performance.

In this study, SMA is particularly important because possessing strategic resources and capabilities alone may not guarantee superior financial performance. MSMEs also require relevant strategic information to effectively utilize these resources and capabilities. Information generated through SMA can assist business owners and managers in evaluating costs, understanding customer needs, analyzing competitors, determining appropriate pricing, and assessing business performance.

The relationship between RBV and SMA is therefore complementary. RBV explains what organizational resources and capabilities can generate competitive advantage, whereas SMA explains how strategic information can support the effective management and utilization of those resources and capabilities. Through this integration, the study provides a theoretical basis for explaining how MSMEs can transform their competitive strategies and strategic capabilities into improved financial performance.

Strategic Management Accounting as a Moderating Variable

Strategic Management Accounting is positioned as a moderating variable in this study. Its role is to explain whether the utilization of strategic accounting information strengthens or weakens the effects of competitive strategy and strategic capabilities on MSME financial performance.

For example, accurate cost information can support the effective implementation of cost leadership, while information about customers and market conditions can strengthen differentiation strategies and market orientation. Competitor information can assist MSMEs in identifying and serving appropriate market segments through a focus strategy. Similarly, strategic information can support innovation capability and digital financial capability by enabling MSMEs to make more informed and effective business decisions.

Accordingly, the theoretical framework of this study proposes that cost leadership, differentiation, focus strategy, market orientation, innovation capability, and digital financial capability influence the financial performance of MSMEs, while Strategic Management Accounting moderates these relationships. The integration of RBV and SMA provides a

comprehensive theoretical foundation for understanding how internal strategic capabilities and the utilization of strategic information contribute to the financial performance of MSMEs in Surakarta City.

Conceptual Framework

The conceptual framework of this study illustrates the relationship between competitive strategy, strategic capabilities, Strategic Management Accounting (SMA), and the financial performance of MSMEs. The framework is developed based on the Resource-Based View (RBV), which emphasizes that organizational resources and capabilities can contribute to competitive advantage and improved organizational performance.

In this study, competitive strategy consists of three dimensions: cost leadership, differentiation, and focus strategy. Cost leadership reflects the ability of MSMEs to achieve operational efficiency and control costs; differentiation refers to the ability to create unique products or services that provide greater value to customers; and focus strategy represents the ability to concentrate resources on specific market segments and respond effectively to their particular needs.

Furthermore, Strategic Management Accounting (SMA) is incorporated into the conceptual framework as a moderating variable. SMA provides strategic information related to costs, customers, competitors, pricing, markets, and organizational performance that can support more effective business decision-making. Therefore, the application of SMA is expected to strengthen or weaken the relationships between competitive strategy and strategic capabilities and the financial performance of MSMEs.

Accordingly, the conceptual framework examines the direct effects of cost leadership, differentiation, focus strategy, market orientation, innovation capability, and digital financial capability on financial performance. It also examines whether Strategic Management Accounting moderates the effect of each of these six variables on the financial performance of MSMEs in Surakarta City.

Conceptually, the relationships can be presented as follows:

Competitive Strategy

- Cost Leadership → Financial Performance
- Differentiation → Financial Performance
- Focus Strategy → Financial Performance

Strategic Capabilities

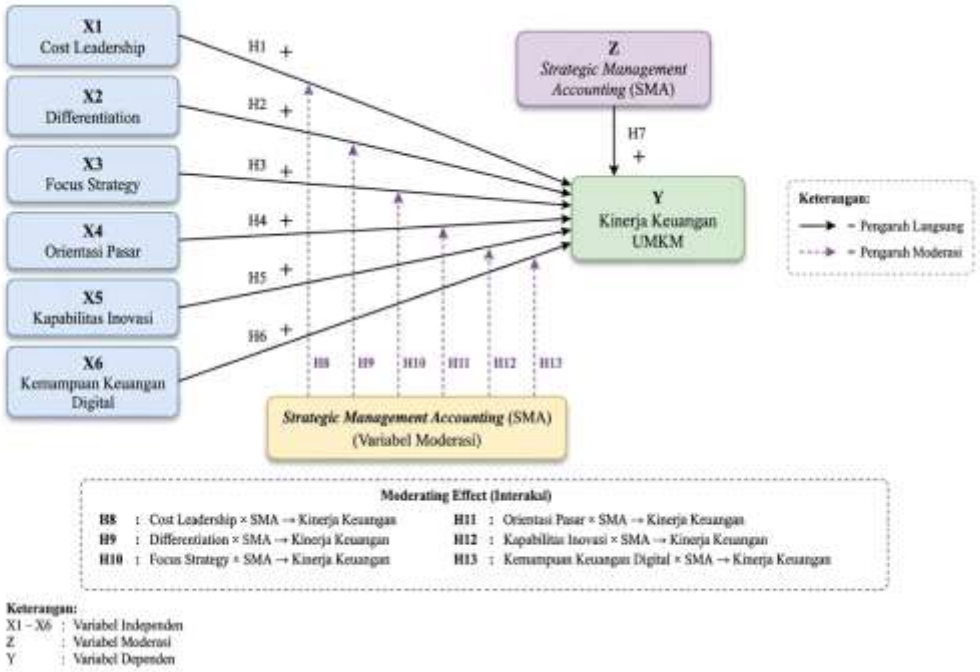
- Market Orientation → Financial Performance
- Innovation Capability → Financial Performance
- Digital Financial Capability → Financial Performance

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Moderating Variable

- Strategic Management Accounting × Cost Leadership → Financial Performance
- Strategic Management Accounting × Differentiation → Financial Performance
- Strategic Management Accounting × Focus Strategy → Financial Performance
- Strategic Management Accounting × Market Orientation → Financial Performance
- Strategic Management Accounting × Innovation Capability → Financial Performance
- Strategic Management Accounting × Digital Financial Capability → Financial Performance

Research Model



Hypotheses

Based on the theoretical framework and conceptual relationships developed in this study, the research hypotheses are formulated as follows:
H1: Cost leadership has a positive effect on the financial performance of MSMEs in Surakarta City.
H2: Differentiation has a positive effect on the financial performance of MSMEs in Surakarta City.
H3: Focus strategy has a positive effect on the financial performance of MSMEs in Surakarta City.
H4: Market orientation has a positive effect on the financial performance of MSMEs in Surakarta City.

H5: Innovation capability has a positive effect on the financial performance of MSMEs in Surakarta City.
H6: Digital financial capability has a positive effect on the financial performance of MSMEs in Surakarta City.
H7: Strategic Management Accounting has a positive effect on the financial performance of MSMEs.
H8: Strategic Management Accounting moderates the relationship between cost leadership and the financial performance of MSMEs.
H9: Strategic Management Accounting moderates the relationship between differentiation and the financial performance of MSMEs.
H10: Strategic Management Accounting moderates the relationship between focus strategy and the financial performance of MSMEs.
H11: Strategic Management Accounting moderates the relationship between market orientation and the financial performance of MSMEs.
H12: Strategic Management Accounting moderates the relationship between innovation capability and the financial performance of MSMEs.
H13: Strategic Management Accounting moderates the relationship between digital financial capability and the financial performance of MSMEs.

METHOD

This study employs a quantitative approach using primary data collected through questionnaires from MSMEs in Surakarta City. The unit of analysis is MSMEs, with business owners, managers, or individuals who understand the business strategy and performance serving as respondents. The independent variables consist of cost leadership, differentiation, focus strategy, market orientation, innovation capability, and digital financial capability, while financial performance serves as the dependent variable and Strategic Management Accounting (SMA) as the moderating variable.

The minimum sample size is determined using G*Power. Data are analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM). The analysis includes the evaluation of the measurement model to assess construct validity and reliability, followed by the structural model to examine the direct effects among variables. The moderating effects of SMA are tested through interaction terms between SMA and each independent variable in explaining the financial performance of MSMEs.

RESULT

Descriptive Statistics

Variable	Mean	Maximum	Minimum	Std. Dev.	No. of Indicators
Cost Leadership (CL)	3.016	5	1	1.017	8
Differentiation (DF)	3.052	5	1	1.000	8
Digital Financial Capability (DK)	3.110	5	1	0.884	8
Focus Strategy (FS)	3.081	5	1	0.884	8
Financial Performance (KK)	3.098	5	1	0.893	8

Source: Primary data processed by the author (2026)

The descriptive statistics show that the mean values of all variables range from 3.016 to 3.147. Innovation Capability has the highest mean value (3.147), followed by Market Orientation (3.133) and Strategic Management Accounting (3.119), while Cost Leadership has the lowest

mean value (3.016). The standard deviations range from 0.883 to 1.017, indicating moderate variation in respondents' responses. All variables have minimum and maximum values of 1 and 5, respectively, consistent with the measurement scale used in this study.

PLS-SEM Model Assessment

Test / Criterion	Result	Threshold	Decision
Outer Loading	*PLS result*	> 0.70	Valid / Not Valid
AVE	*PLS result*	> 0.50	Valid / Not Valid
Composite Reliability	*PLS result*	> 0.70	Reliable / Not Reliable
Cronbach's Alpha	*PLS result*	> 0.70	Reliable / Not Reliable
R^2 Financial Performance	*PLS result*	—	Model explanatory power

Source: Primary data processed by the author (2026)

The research model was evaluated using Partial Least Squares–Structural Equation Modeling (PLS-SEM). The analysis was conducted in two stages: measurement model (outer model) evaluation and structural model (inner model) evaluation. The measurement model was assessed to determine the validity and reliability of the constructs, while the structural model was evaluated to examine the relationships among the research variables and test the proposed hypotheses.

For the measurement model, construct validity and reliability were assessed using outer loading, Average Variance Extracted (AVE), Composite Reliability, and Cronbach's Alpha. The structural model was subsequently evaluated using the coefficient of determination (R^2), path coefficients, t-statistics, and p-values. The moderating effects of Strategic Management Accounting (SMA) were examined through the interaction between SMA and each independent variable in predicting the financial performance of MSMEs.

Multicollinearity Test

Relationship	VIF	Criterion	Conclusion
CL → KK	2.009	< 5.00	No multicollinearity
DF → KK	3.264	< 5.00	No multicollinearity
DK → KK	4.067	< 5.00	No multicollinearity
FS → KK	4.762	< 5.00	No multicollinearity
KL → KK	2.072	< 5.00	No multicollinearity
OP → KK	3.740	< 5.00	No multicollinearity
SMA → KK	4.196	< 5.00	No multicollinearity
SMA × CL → KK	1.050	< 5.00	No multicollinearity
SMA × DF → KK	3.716	< 5.00	No multicollinearity
SMA × DK → KK	2.925	< 5.00	No multicollinearity
SMA × FS → KK	1.022	< 5.00	No multicollinearity
SMA × KL → KK	3.421	< 5.00	No multicollinearity
SMA × OP → KK	4.079	< 5.00	No multicollinearity

Source: SmartPLS output, processed by the author (2026).

The multicollinearity test was assessed using the Variance Inflation Factor (VIF). The results show that all VIF values are below the threshold of 5.00, ranging from 1.022 to 4.762. The highest VIF value is found in the relationship between Focus Strategy and Financial

Performance (4.762), while the lowest is found in the interaction between Strategic Management Accounting and Focus Strategy (1.022). Therefore, the structural model does not indicate problematic multicollinearity and is suitable for further PLS-SEM analysis.

PLS-SEM Structural Model and Hypothesis Testing Results

Hypothesis	Relationship	Path Coefficient	t-Statistic	p-Value	Result
H1	Cost Leadership → Financial Performance	-0.168	3.547	0.000	Accepted
H2	Differentiation → Financial Performance	0.282	5.036	0.000	Accepted
H3	Focus Strategy → Financial Performance	-0.109	1.085	0.278	Rejected
H4	Market Orientation → Financial Performance	0.612	7.248	0.000	Accepted
H5	Innovation Capability → Financial Performance	0.479	6.028	0.000	Accepted
H6	Digital Financial Capability → Financial Performance	0.228	2.800	0.005	Accepted
H7	SMA → Financial Performance	-0.385	5.398	0.000	Accepted
H8	SMA × Cost Leadership → Financial Performance	0.063	1.303	0.193	Rejected
H9	SMA × Differentiation → Financial Performance	-0.145	2.448	0.014	Accepted
H10	SMA × Focus Strategy → Financial Performance	0.314	2.903	0.004	Accepted
H11	SMA × Market Orientation → Financial Performance	0.124	1.541	0.123	Rejected
H12	SMA × Innovation Capability → Financial Performance	-0.189	2.011	0.044	Accepted
H13	SMA × Digital Financial Capability → Financial Performance	-0.209	2.853	0.004	Accepted

Source: SmartPLS output, processed by the author (2026).

Structural Model Evaluation

Indicator	Value	Interpretation
R^2 Financial Performance	0.978	Strong
Adjusted R^2	0.976	Strong
Q^2predict	0.970	High predictive relevance
RMSE	0.174	Relatively low prediction error
MAE	0.125	Relatively low prediction error

Source: SmartPLS output, processed by the author (2026).

The R^2 value of 0.978 indicates that competitive strategies, strategic capabilities, and Strategic Management Accounting explain 97.8% of the variation in MSME financial performance, while the remaining 2.2% is explained by other factors outside the research model. The

adjusted R^2 value is 0.976. The Q^2predict value of 0.970, with an RMSE of 0.174 and MAE of 0.125, indicates that the model has strong predictive relevance for financial performance.

Results Interpretation

The results show that Cost Leadership has a significant negative effect on Financial Performance ($\beta = -0.168$; $p < 0.001$), indicating that greater emphasis on cost efficiency does not necessarily improve the financial performance of MSMEs. In contrast, Differentiation has a positive and significant effect ($\beta = 0.282$; $p < 0.001$). Focus Strategy does not significantly affect Financial Performance ($\beta = -0.109$; $p = 0.278$).

Among the strategic capabilities, Market Orientation has the strongest positive effect on Financial Performance ($\beta = 0.612$; $p < 0.001$), followed by Innovation Capability ($\beta = 0.479$; $p < 0.001$) and Digital Financial Capability ($\beta = 0.228$; $p = 0.005$). These results indicate that understanding market needs, developing innovation, and utilizing digital financial technology contribute positively to the financial performance of MSMEs.

Strategic Management Accounting has a significant negative direct effect on Financial Performance ($\beta = -0.385$; $p < 0.001$). Regarding its moderating role, SMA does not significantly moderate the relationship between Cost Leadership and Financial Performance. However, SMA weakens the effect of Differentiation, strengthens the effect of Focus Strategy, and does not significantly moderate the effect of Market Orientation.

Furthermore, SMA significantly weakens the relationship between Innovation Capability and Financial Performance ($\beta = -0.189$; $p = 0.044$) and weakens the relationship between Digital Financial Capability and Financial Performance ($\beta = -0.209$; $p = 0.004$).

Hypothesis Testing Summary

Overall, 10 of the 13 hypotheses are accepted, while H3, H8, and H11 are rejected. The findings suggest that differentiation, market orientation, innovation capability, and digital financial capability contribute positively to MSME financial performance. Meanwhile, the moderating role of Strategic Management Accounting varies across strategic dimensions: it strengthens the effectiveness of Focus Strategy, weakens several other relationships, and does not significantly moderate Cost Leadership or Market Orientation.

DISCUSSION

The results show that Cost Leadership has a significant negative effect on the financial performance of MSMEs. This finding indicates that greater emphasis on cost reduction does not necessarily improve financial performance. Excessive cost efficiency may limit product quality, innovation, and the ability of MSMEs to respond to changing customer needs. From the Resource-Based View (RBV) perspective, competitive advantage cannot be achieved solely through cost efficiency but also requires valuable internal resources and capabilities that create customer value.

In contrast, Differentiation has a positive and significant effect on financial performance. MSMEs that are able to create unique products, improve service quality, and provide greater value to customers tend to achieve better financial outcomes. Differentiation strengthens the competitive position of MSMEs because customers consider not only price but also product characteristics, quality, and overall experience.

The results further indicate that Focus Strategy does not have a significant effect on financial performance. Concentrating on a specific market segment alone may not be sufficient to improve performance when MSMEs lack the resources, innovation, and customer understanding required to effectively serve that segment. Therefore, a focus strategy needs to be supported by other organizational capabilities to generate meaningful financial benefits.

Among the strategic capabilities examined, Market Orientation has a positive and significant effect on financial performance and represents one of the strongest relationships in the research model. This finding suggests that understanding customer needs, monitoring market changes, and responding to competitive conditions enable MSMEs to develop products and strategies that are more relevant to the market.

Innovation Capability also has a positive and significant effect on financial performance. The ability to develop products, improve services, enhance operational processes, and adapt to changing customer needs enables MSMEs to maintain competitiveness and create new business opportunities. From the RBV perspective, innovation represents an important internal capability that can serve as a source of competitive advantage.

Similarly, Digital Financial Capability has a positive and significant effect on financial performance. The utilization of digital technology for transaction recording, cash flow management, financial information, and decision-making can improve the effectiveness of financial management. This result highlights the growing importance of digital financial capabilities in supporting the performance of MSMEs.

Interestingly, Strategic Management Accounting (SMA) has a significant negative direct effect on financial performance. This result suggests that the greater use of strategic accounting information does not automatically improve financial performance. MSMEs may have begun adopting strategic information, but the benefits depend on their ability to analyze and translate such information into effective business decisions.

Regarding its moderating role, SMA produces different effects across the relationships examined. SMA does not moderate the relationship between Cost Leadership and Financial Performance, but it weakens the effect of Differentiation. Conversely, SMA strengthens the relationship between Focus Strategy and Financial Performance, suggesting that strategic information regarding customers, competitors, and market conditions can improve the effectiveness of a focused market strategy.

SMA also does not significantly moderate the relationship between Market Orientation and Financial Performance. This indicates that MSMEs may rely more heavily on direct experience and close relationships with customers than on formal strategic accounting information when responding to market conditions.

Furthermore, SMA weakens the effects of Innovation Capability and Digital Financial Capability on Financial Performance. These findings suggest that strategic information may not provide optimal benefits when MSMEs lack adequate managerial and analytical capabilities. Therefore, the effectiveness of SMA depends not only on the availability of information but also on the ability of MSME owners and managers to interpret and apply that information appropriately.

Overall, the findings support the importance of internal resources and strategic capabilities proposed by the Resource-Based View, while also showing that the role of Strategic Management Accounting is conditional rather than universally beneficial. Differentiation, market orientation, innovation capability, and digital financial capability contribute positively to MSME financial performance, whereas the effectiveness of SMA depends on how strategic information is integrated into business decision-making.

CONCLUSION

Based on the results and discussion, this study concludes that competitive strategies and strategic capabilities have different effects on the financial performance of MSMEs in Surakarta City. Cost Leadership has a significant negative effect, while Differentiation has a positive and significant effect. Meanwhile, Focus Strategy does not significantly affect financial performance.

In terms of strategic capabilities, Market Orientation, Innovation Capability, and Digital Financial Capability have positive and significant effects on financial performance. These findings indicate that the ability to understand the market, innovate, and utilize digital financial technology plays an important role in improving MSME performance.

Strategic Management Accounting has a significant negative direct effect on financial performance, indicating that the use of strategic accounting information does not automatically generate better financial outcomes unless MSMEs have sufficient managerial and analytical capabilities to utilize such information effectively.

The moderating effect of SMA also varies. SMA does not moderate the relationships of Cost Leadership and Market Orientation with Financial Performance. SMA strengthens the relationship between Focus Strategy and Financial Performance, but weakens the relationships of Differentiation, Innovation Capability, and Digital Financial Capability with Financial Performance.

Overall, the study demonstrates that improving MSME financial performance requires more than simply adopting competitive strategies or strategic accounting information. MSMEs need to strengthen their market orientation, innovation capability, digital financial capability, and managerial ability to transform strategic information into effective business decisions.

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