e-ISSN 2716-3148 (media online)
Journal Research of Accounting (JARAC)
Vol. 7 No. 2 June 2026: 319-331

EXAMINING THE IMPACT OF ACCOUNTING INFORMATION SYSTEMS AND MANUAL BOOKKEEPING PRACTICES ON MSME PERFORMANCE: THE MODERATING ROLE OF HUMAN CAPITAL

Ni Kadek Diah Bintang Permata Dewi[1]
Ni Made Rai Juniariani[2*]
Gde Deny Larasdiputra[3]

Warmadewa University[1,2,3]
*Corresponding author: raijuniari@warmadewa.ac.id

ABSTRACT

The purpose of this study is to evaluate the influence of manual bookkeeping procedures and accounting information systems on the performance of Micro, Small, and Medium-Sized Enterprises (MSME) and to investigate the moderating effect of human capital. The culinary MSME in Tabanan Regency's Baturiti District was the subject of the study. Data was gathered using questionnaires as part of a quantitative research strategy. A straightforward random sample method was used to obtain 98 responders in total. With the use of SmartPLS software, Partial Least Squares–Structural Equation Modelling (PLS-SEM) was used to examine the data. The findings exhibit that MSME performance is influenced both positively and significantly by accounting information systems. The performance of MSMEs is significantly and positively influenced by manual bookkeeping procedures as well. Additionally, the results show that human capital moderates the impact of manual bookkeeping and accounting information systems on MSME performance. It is anticipated that this study would give MSME owners helpful recommendations on the best way to enhance company performance through efficient financial recording systems complemented by sufficient human resources.
Keywords: Accounting Information Systems, Manual Bookkeeping Practices, Human Capital, MSME Performance.

I. INTRODUCTION

MSMEs in Indonesia play a vital role in economic development, particularly in rural areas (Thalib et al., 2023). MSMEs serve as a cornerstone of the Indonesian economy, making a significant contribution to regional economic growth and job creation (Tatik et al., 2024). This role is closely linked to overall economic growth, which ultimately contributes to Indonesia's gross domestic product.

The Baturiti subdistrict is home to approximately 4,900 MSMEs operating in the agriculture, handicrafts, food and beverage, small-scale tourism, and livestock sectors (Sari, 2021). However, based on initial investigations reported by scholars, the phenomena seen in the industry reveal that even though there are many MSMEs in Baturiti, they still face difficulties like traditional promotional strategies and uneven digitalization, with efficiency levels that are still relatively low. The primary issue is that financial record-keeping remains performed by hand, traditionally using simple notebooks lacking the aid of information technology, including an accounting information system (AIS). This situation results in financial management and operational cost control processes that are not yet running optimally, which can affect business productivity.

While some of the MSMEs included in this investigation have previously adopted an AIS, the majority have not yet done so and continue to handle their business operations' finances using traditional manual documentation procedures. The manual record-keeping practices generally remain rudimentary, relying on cash books or daily ledgers without a structured or standardized system. This situation stems from business owners' limited understanding of accounting concepts, a lack of training in information technology, and insufficient resources to implement an AIS. As a result, MSMEs' effectiveness is frequently hampered by the resulting financial reports.

SIA offers advantages in the form of efficiency in addition to accuracy. This system enables the automated and integrated recording, processing, and reporting of financial data. By using digital accounting applications, MSMEs owners can obtain financial reports quickly, accurately, and in real time. In addition, SIA also supports more secure data storage and facilitates the financial analysis required to streamline business performance. Previous research has demonstrated that SIA has a positive impact on SME performance (Regita et al., 2024); (Prasarana et al., 2022).

Although advancements in accounting technology and information systems have brought numerous conveniences to financial management, many small businesses still rely on manual bookkeeping methods. It is a result of multiple fundamental variables, particularly limited employees' capabilities in operating modern accounting technology, low digital literacy among small business owners, and the perception that using digital systems requires significant additional costs for training and software purchases. In terms of record-keeping, manual methods are considered simpler and more flexible because they only require writing tools and a notebook, without the need for a computer or an internet connection. For some small business owners, this system is sufficient for monitoring income and expenses, recording daily transactions, and preparing simple financial reports that can be used to evaluate the state of the business. Research conducted by (Kusnadi et al., 2022) demonstrates that the better the manual accounting practices employed, the greater the likelihood that small businesses will survive and improve their performance. Although human errors do occur, small business owners continue to use simple manual recording practices to track their business operations because they find them comfortable and consider them simpler. Similarly, research conducted by (Hani et al., 2024) states that manual recording practices are still relevant for MSMEs that are not yet ready to adopt technology, but they must be disciplined and regular.

In the setting of aforementioned field studies, the Resource-Based View (RBV) serves as a relevant theoretical framework for explaining how MSMEs may develop significant competitive advantages by utilizing internal assets, including the implementation of SIA and financial record-keeping practices. The RBV theory proposed by Barney (1991) states that sustainable competitive advantage can be achieved if an organization possesses resources that are valuable, rare, inimitable, and non-substitutable. The impact of SIA and recording procedures on SME operations is moderated in this study by the researcher's use of human resources. The main asset that business stakeholders have is their workforce. The knowledge, talents, experience, and skills of business actors comprise human assets, which is essential for enhancing MSME productivity. Therefore, when supported by dependable human resource, both the application of SIA and manual recording techniques will have a greater impact on MSME productivity.

The purpose of this study is to investigate the moderating influence of human assets in the influence of SIA in addition to manual accounting techniques on MSME performance, as well as to experimentally assess the effects of these practices on MSME performance. In order to help MSMEs, the public sector, and business support organizations improve financial management and MSME performance, this study is crucial because it will provide some insight on how human resource quality and financial recording systems impact MSME performance.

II. LITERATURE REVIEW

2.1 Resource-Based View

A strategic management theory described as the Resource-Based View (RBV) highlights that an organization's advantage in the marketplace is derived from its capacity to manage its internal assets. This theory was first introduced by Wernerfelt (1984), who viewed a company as a bundle of resources that can be used to achieve sustainable competitive advantage. Subsequently, Barney (1991) expanded the RBV concept by stating that a company can achieve competitive advantage if it possesses resources that are valuable, rare, inimitable, and non-substitutable. In other words, the key elements of a sustained competitive advantage are qualities that are rare, valuable, unattainable to replicate, and unalterable. RBV emphasizes that an organization's core strengths stem not only from external conditions but also from its internal capabilities in managing resources such as knowledge, human resource skills, information systems, and efficient managerial practices. Therefore, in the context of accounting, the implementation of an AIS and accounting recording practices can be viewed as valuable strategic resources, thereby enhancing the organization's competitive advantage (Hair et al., 2019).

2.2 Accounting Information Systems

Fitriani et al., (2025), SIA is a system that collects, records, stores, and processes data to generate information for decision-makers. The use of an AIS within an entity is essential to ensure sound financial management. (Alkamalat et al., 2024) states that an AIS is a system that processes data and transactions to generate useful information for planning, controlling, and operating a business. Similarly, according to (Balagobei, 2019), an SIA can be defined as a collection (integration) of subsystems or components both physical and non-physical that are interconnected and work together harmoniously to process transaction data related to financial matters. In contrast, (Adela et al., 2024) defines an AIS as follows: An AIS is a closely coordinated arrangement of various record forms, equipment—including computers and their accessories as well as communication tools personnel, and reports designed to transform financial data into information needed by management. An accounting information system (AIS) provides a computer-based system intended to manage financial operations in order to produce information, according to the aforementioned elaboration.

2.3 Manual Bookkeeping Practices

Without the use of computers or accounting software, traditional accounting is the process of documenting each financial operation that takes place inside a company in writing using instruments like diaries, ledgers, and spreadsheets. In order to provide data that management may utilize for making informed choices as well as improving corporate performance, this process entails the recording, categorization, and summarizing of financial data. Conventional accounting techniques have disadvantages, including the possibility of recording mistakes, report preparation holdups, and restrictions on the processing and storage of financial data, even if this approach is comparatively straightforward and simple for small and medium-sized enterprises to use. Therefore, the effectiveness of manual bookkeeping practices depends heavily on the business owner's attention to detail and consistency in recording every financial transaction.

2.4 Human Capital

Human capital is one of the most important assets in an organization because it reflects the abilities, skills, and knowledge that individuals possess to contribute to the achievement of the company's goals (Fitriani et al., 2025). Human capital may be described as an amalgamation of a person's expertise, abilities, ingenuity, and capacity to fulfill their job tasks to produce value for the business. Additionally, human capital plays a role in enhancing productivity and performance effectiveness through employees' ability to generate innovative ideas and solutions (Fitriani et al., 2025). Ghozali (2021a), human capital plays a crucial role in corporate human resource management, as the quality of human capital determines the extent to which an organization can compete and adapt to changes in the business environment. Human capital is not only viewed as an individual factor but also as a strategic organizational asset that can be developed through education, training, and work experience (Fitriani et al., 2025). Therefore, the higher the quality of human capital, the greater its contribution to the achievement of organizational goals and performance (Ghozali, 2021a)

2.5 Accounting Information Systems and MSME Performance

This first hypothesis is predicated on the idea that company performance, both financially and operationally, would increase more when an information system is implemented well, taking into account factors like information quality, usability, and system dependability. Information systems and the Resource-Based View (RBV) are related because of how an organization's internal resources, especially its information, technology, and human resources, contribute to improving business performance and gaining a competitive edge. With a well-designed AIS, MSMEs owners can manage financial data accurately and efficiently, obtain relevant information for decision-making, and improve the effectiveness of business controls. Conversely, if the implementation of the AIS is suboptimal, financial management becomes inefficient and business performance may decline.

H_1: AIS has a positive impact on MSME performance

2.6 Manual Bookkeeping Practices and MSME Performance

The majority of MSMEs in Baturiti District continue to employ manual record-keeping procedures, which form the basis of the second hypothesis brought forward in this study. Business owners believe that these practices are simpler and do not require additional costs for accounting devices or software. However, the effectiveness of manual record-keeping on business performance depends on the business owners' accuracy, discipline, and consistency in recording every transaction. Manual record-keeping that is performed regularly and accurately can help MSMEs business owners monitor financial conditions, control cash flow, and evaluate business results, thereby contributing positively to improved business performance. On the other hand, irregular or incorrect record-keeping results in unreliable financial data that can impede the process of making informed decisions and lower the company's overall success. The relationship between manual bookkeeping practices and the RBV can be explained through the utilization of internal resources, particularly the capabilities and discipline of business owners in managing financial information as a valuable asset. From an RBV perspective, MSMEs owners' accounting expertise is a type of human capital that, with proper management, may provide a competitive edge.

H_2: Manual Bookkeeping Practices has a positive impact on MSME performance.

2.7 Accounting Information Systems, Human Capital and MSME Performance

The third hypothesis put forward in this research is that the association between the AIS variable and MSME performance can be strengthened by human capital serving as a moderating variable. Human capital encompasses individuals' knowledge, skills, and abilities to understand, manage, and effectively utilize accounting information technology within MSMEs. This presumption is predicated on the idea that an organization's use of AIS will be more successful if its human capital is of a better quality. Individuals with strong accounting competencies and information technology skills will be able to operate the system optimally, generate accurate information, and support sound decision-making processes. On the other hand, if human capital is inadequate, data entry mistakes, a lack of comprehension of the system, or an incapacity to evaluate the data produced by the system might impede the adoption of AIS.

H_3: Human Capital moderates the effect of AIS on MSME performance.

2.8 Manual Bookkeeping Practices, Human Capital and MSME Performance

The study's fourth hypothesis is that accounting recording procedures and their effect on MSME performance are influenced by human capital. This assumption is predicated on the idea that business owners' recording procedures would improve with their level of accounting expertise. Owners of businesses with sufficient accounting skills may create trustworthy financial accounts, properly record transactions, and facilitate better decision-making. Conversely, if human capital remains low, recording practices tend to be disorganized, inaccurate, and inconsistent with accounting principles, thereby hindering the effectiveness of business management

H_4: Human capital moderates the effect of manual bookkeeping practices on the MSME performance

The conceptual framework can be described as follows:

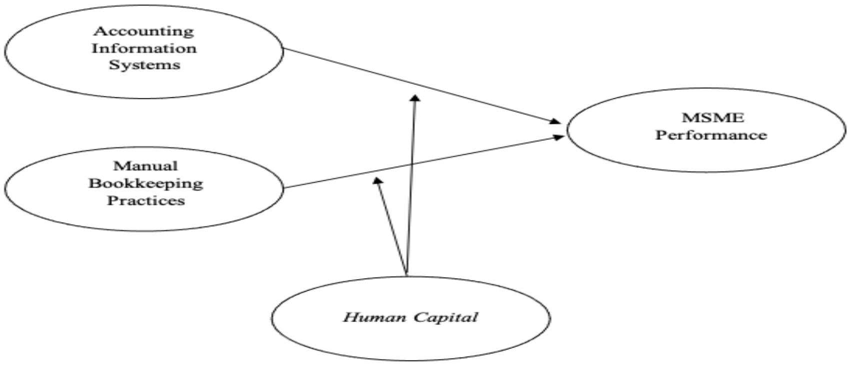

Figure 1.
Research Model

III. RESEARCH METHOD

This investigation was conducted among MSMEs in the Baturiti District of Tabanan, Bali. Every MSME in the Baturiti District is included in the research's population. According to a reference source cited by (Ghozali, 2021a), the number of MSMEs in 2023 was 4,900. The sample for this investigation was chosen using simple random sampling. The Slovin formula was employed in this investigation to find the proper sample size. The minimal sample size for this study is 98 based on the Slovin formula calculation with a 10% error tolerance.

The overall outputs a company achieves in carrying out its operational tasks, both financially and non-financially, are referred to as MSME performance. Good performance demonstrates the ability of MSME operators to utilize resources effectively to achieve business objectives (Hair et al., 2021). The indicators used to measure MSME performance include productivity, efficiency, quality of work, business growth, and customer satisfaction.

An AIS is a system that collects, records, stores, and processes financial data and generates relevant and reliable information for decision-making (Hani et al., 2024). The efficiency, precision, and dependability of MSMEs' financial reports will all increase with the successful adoption of an AIS. The AIS measurement indicators in this study refer to system quality and information benefits, namely information quality, timeliness, data security, operational efficiency, and ease of access and use (Barney et al., 2016).

The traditional method of documenting transactions using non-digital media, including cash books or spreadsheets, without the use of accounting software is known as manual bookkeeping. Although this method is simple, its effectiveness depends on the accuracy and consistency of business owners in recording each transaction (Kusnadi et al., 2022). Indicators of manual recording practices include the accuracy of transaction recording, the completeness of source documents, the consistency of the recording format, the ability to trace data (audit trail), and the risk of human error.

The knowledge, skills, and talents people have to successfully and efficiently manage corporate operations are referred to as human capital. In the context of MSMEs, human capital is a critical factor in optimizing the implementation of accounting systems and improving business performance (Ketepatan et al., 2020). According to (Adela et al., 2024) research, human capital is measured by the knowledge, skills, and abilities of MSME managers.

Data collection in this study was conducted using questionnaires and brief interviews. The questionnaire was designed based on indicators for each research variable, namely AIS, manual bookkeeping practices, human capital, and MSME Performance. Each indicator was broken down into several items using a five-point Likert scale, allowing respondents to rate their level of agreement on a scale from 1 (strongly disagree) to 5 (strongly agree). The use of this scale made it easier for the researcher to quantitatively measure respondents' perceptions and levels of understanding (Ghozali, 2021a). In addition to the questionnaire, a few MSMEs owners were interviewed briefly to learn more about their accounting and record-keeping procedures and opinions on the AIS's implementation. These interviews served as supplementary data and were used to reinforce the quantitative findings with descriptive data that provided a more in-depth explanation of the phenomena observed in the field. Thus, the combination of questionnaires and interviews allowed the researchers to obtain data that was more comprehensive and relevant to the research objectives (Alkamalat et al., 2024).

Descriptive statistical analysis and inferential analysis utilizing the Partial Least Squares (PLS) method using the Smart PLS software were the methods of data analysis employed in this study. The selection of the PLS-SEM method was based on the consideration that this study is explanatory in nature, with a model involving more than one independent variable, a moderating variable, and a dependent variable measured through latent indicators (Hair et al., 2021).

IV. RESULT AND DISCUSSION

4.1 Hypothesis Testing

Hypothesis testing in this study was conducted to establish the direct effects of SIA and manual bookkeeping procedures on MSME performance, as well as to test the influence of human capital as a mitigating variable. Table 5 shows the effect of AIS on SME performance, with a β coefficient of 0.392 and a p-value of 0.000. The effect of manual recording practices on SME performance has a β coefficient of 0.232 and a p-value of 0.033. Furthermore, regarding the moderation test in Table 5, it is seen that human capital positively moderates the effect of AIS and manual recording practices on SME performance (β coefficient 0.258; p-value 0.001 and β coefficient 0.261; p-value 0.009). Thus, it can be concluded that H1, H2, H3, and H4 are accepted.

Table 1.
Hypothesis Testing

	Coefficient	*P*-values	Decision
Accounting Information System -> MSME Performance	0.392	0.000	Significant
Manual Bookkeeping Practices -> MSME Performance	0.232	0.033	Significant
Human Capital x Accounting Information System -> MSME Performance	0.258	0.001	Significant
Human Capital x Manual Bookkeeping Practices -> MSME Performance	0.261	0.009	Significant

Source: data processed (2026)

Table 1 presents the results of hypothesis testing in this study. The results show that all proposed hypotheses are supported, as indicated by the positive coefficient values and p-values below 0.05. This means that each relationship tested in the model has a significant effect on MSME performance.

The first result shows that the Accounting Information System has a positive and significant effect on MSME performance, with a coefficient value of 0.392 and a p-value of 0.000. This indicates that the better the implementation of accounting information systems, the higher the performance of MSMEs. Accounting information systems help MSMEs produce accurate, timely, and relevant financial information, which supports better decision-making and business management.

The second result indicates that Manual Bookkeeping Practices also have a positive and significant effect on MSME performance, with a coefficient value of 0.232 and a p-value of 0.033. This finding implies that disciplined and consistent manual bookkeeping remains important for MSMEs, especially for business actors who have not fully adopted digital accounting systems. Proper manual records can help MSME owners monitor income, expenses, cash flow, and business profitability.

Furthermore, the interaction between Human Capital and Accounting Information System has a positive and significant effect on MSME performance, with a coefficient value of 0.258 and a p-value of 0.001. This means that human capital strengthens the relationship between accounting information systems and MSME performance. In other words, accounting information systems will be more effective when MSME owners or employees have adequate knowledge, skills, experience, and financial literacy.

The interaction between Human Capital and Manual Bookkeeping Practices also has a positive and significant effect on MSME performance, with a coefficient value of 0.261 and a p-value of 0.009. This result shows that human capital strengthens the effect of manual bookkeeping practices on MSME performance. MSME actors with better human capital are more capable of recording, interpreting, and using financial information to improve business performance.

e-ISSN 2716-3148 (media online)
Journal Research of Accounting (JARAC)
Vol. 7 No. 2 June 2026: 319-331

Overall, the hypothesis testing results confirm that accounting information systems, manual bookkeeping practices, and human capital play an important role in improving MSME performance. The findings also indicate that human capital acts as an important moderating variable, because the benefits of both digital accounting systems and manual bookkeeping practices become stronger when supported by competent human resources.

4.2 R-Square Test

The R-square (R^2) value for the MSME performance variable was 0.560, with an adjusted R-square value of 0.536, according to the findings of the SmartPLS research. These findings show that the AIS variable, manual record-keeping procedures, and the interaction of human capital with each independent variable account for 56.0% of the variation in MSME performance. In contrast, the variables not included in this study model account for the remaining 44.0%

Table 2.
R-Square Test

	R-square	R-square adjusted
MSME Performance	0.560	0.536

Source: Processed data (2026)

4.3 Discussions

The Effect of Accounting Information Systems on MSME Performance

The results indicate that Accounting Information Systems have a positive and significant effect on MSME performance, with a coefficient value of 0.392 and a p-value of 0.000. Therefore, the first hypothesis is accepted. This finding suggests that the implementation of Accounting Information Systems can substantially improve MSME performance by providing more accurate, timely, relevant, and understandable financial information. Through the use of AIS, MSME owners and managers are able to record transactions more systematically, monitor financial conditions, evaluate business activities, and make more informed managerial decisions. This result confirms that AIS is not merely an administrative tool, but also a strategic instrument that supports business efficiency and competitiveness. MSMEs that utilize accounting information systems are more likely to manage their financial resources effectively, reduce errors in financial recording, and respond more quickly to business opportunities and risks. These findings are consistent with previous studies by Adela et al. (2024), Kusnadi et al. (2022), and Alkamalat et al. (2024), which found that accounting information systems contribute significantly to improving MSME performance. From the perspective of the Resource-Based View, AIS can be understood as an internal strategic resource that provides value to the firm. When properly implemented, AIS helps MSMEs build better financial control, strengthen decision-making processes, and create a more sustainable competitive advantage.

The Effect of Manual Bookkeeping Practices on MSME Performance

The results also show that manual bookkeeping practices have a positive and significant effect on MSME performance, with a coefficient value of 0.232 and a p-value of 0.033. Thus, the second hypothesis is accepted. Although manual bookkeeping is considered a traditional method, this finding demonstrates that disciplined and consistent financial recording remains important for MSMEs, especially for businesses that have not fully adopted digital accounting systems.

Manual bookkeeping enables MSME owners to monitor cash inflows and outflows, control operational costs, calculate profits, and evaluate business performance. For many MSMEs, especially small-scale enterprises with limited technological capacity, manual bookkeeping remains a practical and accessible accounting practice. This finding implies that the quality of financial recording is more important than the complexity of the system used. As long as bookkeeping is carried out consistently and accurately, it can still contribute to better business management.

This result is in line with Balagobei (2019), Fitriani et al. (2025), and Hair et al. (2021), who emphasized that proper record-keeping practices are closely related to improved business performance. Within the RBV framework, manual bookkeeping can also be viewed as an internal resource that supports MSME sustainability, particularly when business owners use the recorded information to make financial and operational decisions.

The Moderating Role of Human Capital in the Relationship Between Accounting Information Systems and MSME Performance

The findings show that human capital significantly moderates the relationship between Accounting Information Systems and MSME performance, with a coefficient value of 0.258 and a p-value of 0.001. Therefore, the third hypothesis is accepted. This result indicates that the positive effect of AIS on MSME performance becomes stronger when MSME owners or employees possess adequate knowledge, skills, experience, and financial literacy.

Although AIS can provide useful financial information, its effectiveness depends heavily on the ability of human resources to operate, interpret, and utilize the system. MSMEs with stronger human capital are more capable of maximizing the benefits of AIS because they can understand financial reports, analyze business conditions, and apply the information to support strategic decisions. In contrast, limited human capital may reduce the usefulness of AIS, even when the system is available.

This finding supports previous studies by Hani et al. (2024), Respatiningsih (2019), Istianah (2021), and Thalib et al. (2023), which highlight the importance of competence, skills, and financial literacy in strengthening business management. From the RBV perspective, the combination of technological resources and human capital creates a stronger competitive advantage than the use of technology alone. Therefore, AIS implementation should be accompanied by efforts to improve the capacity and competence of MSME actors.

The Moderating Role of Human Capital in the Relationship Between Manual Bookkeeping Practices and MSME Performance

The results further reveal that human capital significantly moderates the relationship between manual bookkeeping practices and MSME performance, with a coefficient value of 0.261 and a p-value of 0.009. Thus, the fourth hypothesis is accepted. This finding implies that manual bookkeeping practices will have a stronger impact on MSME performance when supported by capable and knowledgeable human resources.

Manual bookkeeping requires discipline, accuracy, consistency, and basic financial understanding. MSME owners with better human capital are more likely to record transactions properly, classify expenses and revenues correctly, and use bookkeeping information to evaluate business performance. In this context, human capital strengthens the usefulness of manual bookkeeping by transforming simple financial records into meaningful information for decision-making.

This result indicates that even traditional accounting practices can support MSME performance when managed by competent individuals. Human capital allows MSME actors to interpret bookkeeping data, identify financial problems, control costs, and plan future business activities. Therefore, manual bookkeeping should not be underestimated, particularly among MSMEs that are still in the early stages of business development or have limited access to digital technology.

V. CONCLUSION AND RECOMMENDATION

According to the study's findings, MSMEs' performance is positively and significantly impacted by both manual bookkeeping procedures and AIS. This suggests that, when implemented consistently and with discipline, both technology-based accounting systems and traditional bookkeeping may enhance corporate performance. Additionally, it has been demonstrated that human capital functions as a moderating element that amplifies the impact of manual accounting procedures and the AIS on MSME performance. Optimizing the usage of these technologies and record-keeping procedures depends heavily on the caliber of human resources, as demonstrated by their knowledge, abilities, and capacity to handle financial data. Therefore, in order to maintain company sustainability, boosting MSMEs' performance necessitates a synergy between the installation of accounting systems, strong financial record-keeping procedures, and high-quality human resources.

Practically, the results of this study suggest that in order to increase the efficacy of company management, MSME operators must start implementing and maximizing the usage of SIA. However, for MSMEs that are not yet able to implement digital-based systems, manual record-keeping practices carried out in an orderly and consistent manner remain a relevant alternative. Furthermore, to make the most use of the technologies and record-keeping procedures, SME operators should also enhance the level of competence of their human resources through training, mentorship, and financial literacy initiatives. The Resource-Based View (RBV) approach, which stresses that competitive advantage and corporate success are defined by the capacity to manage internal resources, including information systems and the competence of human resources, is theoretically supported by this study.

In order to make the results more universally applicable, additional research is advised to expand the study's scope by include a greater variety of geographical areas or industry sectors. Additionally, future research could incorporate other variables such as financial literacy, the use of digital technology, or external environmental factors that may influence the MSME performance. To obtain a more thorough grasp of the dynamics of MSME performance, research methodologies might also be improved, such as by using mixed approaches.

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