

The Effect of Sharia Transactions and Business Ethics Commitment on the Sustainability of MSMEs with Financial Accountability as an Intervening Variable (A Study of MSMEs in Medan Marelan District)

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Abstract

This study aims to analyze the effect of implementing sharia transactions and business ethics commitment on the sustainability of Micro, Small, and Medium Enterprises (MSMEs), with financial accountability as an intervening variable, in MSMEs in Medan Marelan District. A quantitative approach was used through the Structural Equation Modeling–Partial Least Square (SEM-PLS) method with 327 respondents. The results of the study indicate that, directly, the implementation of sharia transactions and business ethics commitment have a significant effect on the sustainability of MSMEs. However, the implementation of sharia transactions has a negative effect on financial accountability, while business ethics commitment has a positive effect on financial accountability. Financial accountability itself was found to have a positive and significant impact on the sustainability of SMEs. Indirectly, business ethics commitment enhances SME sustainability through financial accountability, while the implementation of sharia transactions reduces SME sustainability through the financial accountability channel. These results highlight the importance of synergizing sharia values with accountable financial administration practices to achieve business sustainability. This study contributes theoretically to the development of a sharia-based SME business model, while also providing practical recommendations for business actors and stakeholders to strengthen accounting education and business ethics in SME operations.

Keywords: Sharia Transactions, Business Ethics, Financial Accountability, MSME Sustainability



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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are an important sector of the economy that plays a significant role in supporting national and regional economic growth, including in the city of Medan. MSMEs not only contribute to job creation but also improve community welfare and strengthen the economic structure of the lower classes. However, despite their significant contributions, MSMEs also face various challenges, particularly in terms of business sustainability. (Wahab et al., 2024). Many MSMEs are unable to survive in the long term due to weak governance, poor access to capital, and minimal application of ethical principles and accountability in conducting their business activities (Arisetyawan et al., 2023). In this context, the sharia economic approach has become an attractive alternative in business management, including for MSME players. Sharia economics emphasizes the principles of fairness, transparency, and social responsibility, which are in line with moral and ethical values. (Luthfy et al., 2024). One form of implementation is through the application of sharia transactions, which are economic transactions conducted based on Islamic principles such as the prohibition of usury, gharar, and maisir, as well as the principles of justice and mutual assistance (ta'awun).

Sharia transactions are believed to create trust between business actors and encourage more equitable and sustainable business relationships. (Vitra Fadian Afandi et al., 2024).

Sharia transactions are all forms of economic activity conducted based on Islamic principles. The main characteristics of sharia transactions include the prohibition of *riba* (interest), *gharar* (uncertainty), and *maisir* (gambling), as well as the promotion of the principles of justice, honesty, and transparency. In the context of SMEs, the implementation of Islamic transactions includes a sales and purchase system that is permissible under Islamic law, avoiding fraudulent practices, and honest reporting in transaction records (Salsabila et al., 2024). One important effort in improving the sustainability of MSMEs is the implementation of a sharia-based transaction system. Sharia transactions emphasize principles of justice, honesty, and transparency, and prohibit practices such as usury, uncertainty (*gharar*), and speculation (*maysir*). In the context of SMEs, the implementation of sharia transactions can serve as an effective tool in building a more ethical, fair, and sustainable business system (Femy Sasongko et al., 2024). In addition, the implementation of sharia transactions also creates trust between business actors, customers, and business partners, because this system emphasizes the principles of trust and social responsibility. On the other hand, commitment to business ethics is also a key factor in maintaining the sustainability of MSMEs. Good business ethics will build customer trust, establish business reputation, and protect MSMEs from business practices that are legally and morally detrimental. (Ansori et al., 2024). Pelaku MSMEs that are committed to ethical values such as honesty, integrity, responsibility, and fairness tend to have a greater chance of maintaining their business sustainability in the long term (Mahyudin et al., 2025).

Business ethics is a set of moral principles that govern behavior in the business world. Commitment to business ethics means the sincerity of business actors to conduct business activities in accordance with moral and legal values, including honesty, social responsibility, fair treatment of consumers and employees, and maintaining business integrity (Uyun et al., 2024). MSMEs that uphold business ethics are believed to gain a good reputation in the eyes of consumers and business partners (Fadhila & Mahyudin, 2024). However, the successful implementation of sharia transaction values and business ethics in promoting the sustainability of MSMEs does not only depend on the beliefs or intentions of business actors, but also requires an accountable financial management system (Fadhila et al., 2024). This is where financial accountability plays a role as an intervening variable that bridges the gap between value principles (sharia and business ethics) and business sustainability performance. Financial accountability reflects the extent to which MSMEs are able to record, report, and account for their use of financial resources in a transparent and trustworthy manner (Azizah et al., 2024). With good accountability, MSME players will find it easier to manage their finances efficiently, plan business growth, and establish healthy cooperation with stakeholders such as investors, business partners, and Islamic financial institutions.

Financial accountability refers to the ability of business operators to record, report, and account for all financial activities in a transparent and systematic manner. In the context of SMEs, financial accountability can be achieved through proper transaction recording, financial reporting, and structured cash management. Good accountability not only strengthens stakeholder trust but also serves as the foundation for making sound decisions. (Aprilianti et al., 2023). Empirically, there are still few studies that simultaneously examine the relationship between the implementation of sharia transactions and business ethics commitment to MSME sustainability with financial accountability as an intervening variable, especially in areas with strong Muslim communities such as Medan Marelan District. Medan Marelan is known as one of the areas with a high concentration of SMEs, characterized by business operators who are quite religious. This situation is intriguing to study, as it raises questions about whether Sharia

values and business ethics have been truly internalized in their business practices, and to what extent this impacts business sustainability through the role of financial accountability. In practice, many SMEs lack adequate understanding and awareness of the importance of financial accountability. Many SME operators still mix personal and business finances, lack systematic financial records, and have not applied proper accounting principles. This low level of financial accountability poses a serious obstacle to SME sustainability, as it makes it difficult to objectively measure business performance and make informed decisions. Therefore, it is important to investigate whether the implementation of sharia transactions and business ethics commitments can encourage improved financial accountability, which in turn supports business sustainability (Amalina et al., 2023).

The sustainability of MSMEs is the ability of a business to survive and grow in the long term, both economically, socially, and environmentally. Sustainable MSMEs are able to adapt to market changes, improve product or service quality, and maintain good relationships with customers and partners. Internal factors such as management systems, ethics, and finance play a major role in determining the sustainability of a business (Apandi et al., 2023). This study attempts to explore the relationship between the implementation of sharia transactions and business ethics commitment to the sustainability of MSMEs, with financial accountability as an intervening variable. By understanding the mechanism of influence, it is hoped that a more comprehensive picture of the factors that influence the sustainability of MSMEs in Indonesia, especially sharia-based MSMEs, can be obtained. This study is also expected to contribute to the development of policies and strategies for empowering SMEs based on Islamic values that are more sustainable and inclusive.

RESEARCH METHODS

This study was conducted using a qualitative approach to determine the direct and indirect effects between independent, dependent, and intervening variables. The analysis technique used was Path Analysis or Structural Equation Modeling–Partial Least Square (SEM–PLS). The population in this study consists of micro, small, and medium-sized culinary businesses located in the Medan Marelan subdistrict, with a total of 1,800 businesses. The sampling technique used the Slovin formula with an error rate of 5% and a confidence level of 95% or 0.95. The sample size for this study was calculated as follows:

$$n = \frac{N}{1 + (N \times e^2)}$$

Where:

n = Sample

N = Population

d = 5% error value

The total population desired by the author in this study is 1.800 people. Using the formula above is as follows:

$$n = \frac{1.800}{1 + (1.800 \times 0,05^2)}$$

$$n = \frac{1.800}{5,5}$$

n = 327,27 rounded up to 327 research samples.

In this study, researchers used data analysis techniques with the Partial Least Squares (PLS) method. This technique was used to interpret the relationship between variables and analyze data during testing. The Partial Least Squares equation model is a Structural Equation Modeling (SEM) equation model that uses a variance-based or component-based approach in structural equation modeling. The measurement model, also known as the outer model, and the

structural model, also known as the inner model, are generally two sub-models that form the PLS-SEM analysis. The measurement model shows how latent variables to be measured are represented by manifest or observed variables. Intervening variables are independent variables that provide a theoretical explanation of the relationship between independent and dependent variables. There are three ways to test regression with moderating variables, namely (1) interaction test, (2) absolute difference test, and (3) residual test. The test that will be conducted to test the moderating variables in this study is the residual test. The residual test regression equation is as follows:

$$DF = a + b_1X_1 + b_2X_2 + e \dots\dots\dots(1)$$

$$lel = a = b_2Y \dots\dots\dots(2)$$

Dimana:

DF= Fiscal Decentralization (Moderating Variable)

a= Constants

b1-b2= Variable Coefficient

X1= Implementation of Sharia Transactions

X2= Business Ethics Commitment

Y= Sustainability of MSMEs.

RESEARCH RESULTS AND DISCUSSION

Research Result

Structural Model Analysis (Inner Model)

The inner model measurement is explained by the results of the path coefficient test, goodness of fit test and hypothesis testing.

1. R Square. From the results of data processing carried out in this study using Smart PLS 3.0, the R-Square values obtained are as follows:

Table 1. Coefficient of Determination (R-Square)

	R Square	R Square Adjusted
Sustainability of MSMEs	0,819	0,817
Financial Accountability	0,766	0,765

Source: Processed by Researchers (2025)

The R-squared criteria are as follows: Based on the data in the table above, it is known that the adjusted R-squared value for the MSME sustainability variable is 0.819 or 81.9%, while the remaining 18.1% is influenced by other variables not included in the variables in this study. Furthermore, the Financial Accountability variable obtained an R-squared value of 0.766 or 76.6%, while the remaining 23.4% is influenced by other variables not included in the variables in this study.

2. Predictive Relevance (Q^2). The Q^2 value has the same meaning as the coefficient of determination (R-Square) in the context of testing the predictive validity of structural models in Partial Least Square (PLS) analysis. The Q^2 value is often referred to as "Predictive Relevance," which indicates how well the model can predict data that was not used in the model estimation. If the Q^2 value is greater than 0, this indicates that the model has adequate predictive capability or predictive relevance. Conversely, if the Q^2 value is less than 0, the model is considered to have no predictive relevance, meaning that the independent variables are unable to adequately explain the dependent variable. The Q^2 value can be considered as follows.

$$Q^2 = 1 - (1 - R^2_1) (1 - R^2_2) \dots (1 - R^2_n)$$

$$Q^2 = 1 - (1 - 0,819) (1 - 0,766)$$

$$Q2 = 1 - (0.181) (0.234)$$

$$Q2 = 1 - 0,042$$

$$Q2 = 0.958$$

From these results, the Q2 value is 0.958, so it can be concluded that the variables in this study, namely the application of sharia transactions, business ethics commitment, financial accountability, and MSME sustainability, contribute 95.8% to the authenticity of the data in the existing structural model. The remaining 4.2% requires development from other variables outside this study.

The t-statistic test (Bootstrapping)

1. Direct Effect. To determine the results of hypothesis testing in quantitative research, one commonly used approach is to look at the probability value (p-value) or significance level of the relationship between variables. The basic criterion used is that if the p-value is less than 0.05, the relationship between the variables is considered statistically significant, meaning there is sufficient evidence to state that the relationship is not merely due to chance and can be analyzed further. Conversely, if $p > 0.05$, the relationship between the variables is not significant and cannot be supported statistically. In addition to using the p-value, researchers can also use an inferential statistical approach by comparing the calculated t-value with the table t-value. If the calculated t-value > 1.96 (at a 5% significance level and one-tailed test), the hypothesis is accepted because it indicates significance. Thus, both the p-value and t-statistic approaches can be used complementarily in testing the validity of hypotheses in a research model. The hypothesis test results are presented in the table below:

Table 2. Direct Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Diskription
Implementation of Sharia Transactions (X1) -> Sustainability of MSMEs (Y)	0,248	0,247	0,060	4,104	0,000	Significant
Implementation of Sharia Transactions (X1) -> Financial Accountability (Z)	-0,643	-0,637	0,071	9,055	0,000	Significant
Business Ethics Commitment (X2) -> Sustainability of MSMEs (Y)	-0,456	-0,459	0,089	5,135	0,000	Significant
Business Ethics Commitment (X2) -> Financial Accountability (Z)	1,324	1,324	0,073	18,063	0,000	Significant
Financial Accountability (Z) -> Sustainability of MSMEs (Y)	1,146	1,152	0,053	21,754	0,000	Significant

Source: Smart PLS 2025 processed data

- a. The first hypothesis of the analysis shows that there is a relationship between the application of Sharia transactions in this study and the sustainability of MSMEs. The results obtained from processing 327 data samples using the Smart PLS application show that the variable of Sharia transaction application is significantly related to the variable of MSME sustainability, as shown in the table above. This can be seen from the significant value of 0.000, which is less than 0.05, and the t-value, which is greater than the t-table value ($2.097 > 1.96$). Furthermore, the original sample value of 0.248 indicates that the direction of the relationship between the implementation of Sharia transactions and the sustainability of MSMEs is positive, so it can be concluded that the first hypothesis is **accepted**.
- b. The second hypothesis of the analysis shows that there is a relationship between the application of Sharia transactions in this study and financial accountability. The results obtained from processing 327 data samples using the Smart PLS application show that the variable of Sharia transaction application is significantly related to the variable of financial

accountability, as shown in the table above. This can be seen from the significant value of 0.000, which is less than 0.05, and the t-value, which is greater than the t-table value ($9.055 > 1.96$). Furthermore, the original sample value of -0.643 indicates that the direction of the relationship between the implementation of Sharia transactions and financial accountability is negative. Therefore, the second hypothesis can be concluded **accepted**.

- c. The third hypothesis from the analysis shows that there is a relationship between business ethics commitment in this study and the sustainability of MSMEs. The results obtained from processing 327 data samples using the Smart PLS application show that the business ethics commitment variable is significantly related to the MSME sustainability variable, as shown in the table above. This can be seen from the significant value of 0.000, which is less than 0.05, and the t-value, which is greater than the t-table value ($5.135 > 1.96$). Furthermore, the original sample value of -0.456 indicates that the direction of the relationship between business ethics commitment and SME sustainability is negative, thus confirming the third hypothesis **accepted**.
 - d. The fourth hypothesis from the analysis shows that there is a relationship between business ethics commitment and financial accountability in this study. The results obtained from processing 327 data samples using the Smart PLS application show that the business ethics commitment variable has a significant effect on the financial accountability variable, as shown in the table above. This can be seen from the significant value of 0.000, which is less than 0.05, and the t-value, which is greater than the t-table value ($18.063 > 1.96$). Furthermore, the original sample value of 1.324 indicates that the direction of the relationship between business ethics commitment and the sustainability of MSMEs is positive, thus confirming the fourth hypothesis **accepted**.
 - e. The fifth hypothesis from the analysis shows that there is a relationship between financial accountability in this study and the sustainability of MSMEs. The results obtained from processing 327 data samples using the Smart PLS application show that the financial accountability variable is significantly related to the MSME sustainability variable, as shown in the table above. This can be seen from the significant value of 0.000, which is less than 0.05, and the t-value, which is greater than the t-table value ($21.754 > 1.96$). Furthermore, the original sample value of 1.146 indicates that the direction of the relationship between financial accountability and the sustainability of SMEs is positive, thus confirming the fifth hypothesis **accepted**.
2. Testing the Moderating Effect. The moderation effect test in this study aims to confirm whether financial accountability truly acts as a bridge connecting the implementation of sharia transactions and business ethics commitments with the sustainability of MSMEs. Using a SEM PLS path analysis approach, direct and indirect path coefficients were measured and then compared through Sobel tests and bootstrapping to assess the strength of mediation. Significance values below the 0.05 threshold indicate that financial accountability successfully strengthens the influence of independent variables on dependent variables.

Table 3. Indirect Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Diskription
Implementation of Sharia Transactions (X1)-> Financial Accountability (Z)-> Sustainability of MSMEs (Y)	-0,736	-0,732	0,084	8,812	0,000	Significant
Business Ethics Commitment (X2)-> Financial Accountability (Z) -> Sustainability of MSMEs (Y)	1,517	1,524	0,095	16,015	0,000	Significant

Source: Smart Pls 2025 processed data

- a. The sixth hypothesis from the analysis shows that the implementation of sharia transactions in this study is related to the sustainability of MSMEs through financial accountability. The results obtained from processing 327 data samples using the Smart PLS application show that the variable of sharia transaction implementation is significantly related to the variable of MSME sustainability through financial accountability, as shown in the table above. This can be seen from the significant value of 0.000, which is less than 0.05, and the t-value, which is greater than the t-table value ($8.812 > 1.96$). Furthermore, the original sample value of -0.736 indicates that the direction of the relationship between the implementation of sharia transactions and the sustainability of MSMEs through financial accountability is negative. Therefore, the sixth hypothesis can be concluded **accepted**.
- b. The seventh hypothesis from the calculation of the analysis carried out shows that the relationship of this research's business ethics commitment to the sustainability of MSMEs. The results obtained from processing sample data as much as 327 data processed using the smart Pls application, show the results as in the table above, indirectly the business ethics commitment variable is significant to the MSME sustainability variable through financial accountability. It can be shown from the results that the significant value of 0.000 is smaller than 0.05 and the tcount value is greater than the ttable ($16.015 > 1.96$). Furthermore, the original sample value of 1.517 indicates that the direction of the relationship between business ethics commitment to the sustainability of MSMEs through financial accountability is positive, so it can be concluded that the seventh hypothesis is positive **accepted**.

Discussion

Effect of Sharia Transaction Implementation on MSME Sustainability

With a coefficient value of 0.248 and a significance level of $p = 0.000$, this shows that the application of Islamic transaction principles has a positive and significant influence on the sustainability of MSMEs. This means that the higher the level of application of sharia principles in business activities, the greater the opportunity for MSMEs to survive and develop in the long term. These principles include honesty, justice, prohibition of usury practices, and transparency in transactions. These values are not only normatively relevant, but also have a real practical impact on business operations. Empirically, these results are consistent with the reality in the field, especially in the MSME community that has integrated sharia principles in its business activities. In a competitive business environment such as in Medan City, MSME actors who implement the principles of honesty and fairness in transactions tend to gain higher trust from consumers, investors and business partners. This trust serves as an invaluable form of social capital that can increase customer loyalty, strengthen business relationships, and expand business networks. The results of this study are in line with research conducted by (Maulana & Suryono, 2023) The results of this study show the influence of financial literacy and digital literacy on the sustainability of MSMEs that apply sharia principles. These findings should encourage academics to provide knowledge about financial literacy and digital literacy to stakeholders/owners and managers of MSMEs that apply sharia principles. Other supporting research was conducted by (Maulena et al., 2024) who stated in the results of his research that the principles of justice and accountability in Islamic economics play an important role in creating a fair and sustainable business, with an emphasis on transparency, prevention of harmful practices, and support for social and environmental welfare. Justice is not only limited to the distribution of wealth; it also aims to ensure that every transaction is done fairly and without harming anyone. Many MSMEs apply Islamic transaction models such as profit-sharing systems (mudharabah and musyarakah), usury-free buying and selling (murabahah), and trading practices that avoid speculation (gharar) and uncertainty (jahalah). This system not

only provides justice for both parties, but also strengthens business sustainability because it creates legal certainty and a sense of security for consumers and business actors. In addition, with the increasing public awareness of the halal economy and Islamic business ethics, MSMEs that consistently implement sharia transactions have a strategic position in the growing market. Thus, it can be concluded that the principle of sharia transactions is not only a religious guidance, but also an effective and sustainable business strategy in the context of MSMEs, especially in areas that have a strong Muslim community base such as Medan City

The Effect of Sharia Transaction Implementation on Financial Accountability

Interestingly, the coefficient value of -0.643 and significant ($p=0.000$) shows that the higher the implementation of sharia transactions, the financial accountability tends to decrease. This finding empirically indicates the existence of an implementation paradox, in which MSME actors do have strong religious values and sharia idealism, but are not accompanied by adequate administrative skills and accounting literacy. This means that the higher the level of application of sharia transactions in MSME operations, the more their financial accountability tends to decrease. This finding indicates a paradox in the implementation of sharia values: on the one hand, MSME actors are committed to sharia principles in transactions, but on the other hand, they have not been able to manage the financial recording and reporting system accountably. In other words, sharia idealism is not necessarily directly proportional to good administrative practices. This phenomenon is very common in traditional-based MSMEs in Medan City, which prioritize muamalah ethics in transactions such as honesty, justice, and prohibition of usury, but have not been supported by adequate accounting literacy competencies. Many businesses still use manual recording, are inconsistent in preparing financial reports, and consider financial recording as secondary. In fact, financial accountability is an integral part of the principle of trust in Islam. The absence of standardized reports hampers their ability to measure performance, attract investors, and even access Islamic financing that demands transparency and accountability.

This research is supported by the results of research (View of Akuntabilitas Dalam Transaksi Keuangan Perspektif Islam, n.d.) As explained from an Islamic perspective, accountability in financial transactions goes beyond simply fulfilling social and legal responsibilities, as is the case in the modern economic system. In Islam, accountability includes moral and spiritual responsibilities that each individual must fulfill before God. The key principles underlying accountability in Islam are honesty, trust, fairness and transparency, all of which are described and emphasized in the Quran and Hadith. In the context of modern finance, Islamic accountability principles can be implemented in various ways, including avoiding usury, entering into fair contracts, paying zakat and alms, and utilizing Islamic financial institutions and sharia audits. Other supporting research was conducted (Lamala & Domili, 2023) by the research results Recording musyarakah transactions plays an important role in improving financial transparency and accountability. The allocation of capital and risk in these transactions allows for better monitoring of the use of funds. Recording these transactions also encourages stakeholders to obtain relevant and accurate financial information. This builds trust and ensures good financial accountability. Therefore, these results provide a strong signal for stakeholders, including local governments, Islamic financial institutions, and MSME support organizations, to not only encourage businesses to apply sharia principles in transactions, but also ensure that they have the understanding and skills to prepare financial statements in accordance with sharia principles. Education and training on sharia accounting literacy and technical assistance are crucial to bridge the gap between religious idealism and professional administrative practices. This is also in line with the spirit

of maqashid sharia, which is to safeguard wealth (hifz al-mal) through trustworthy and responsible financial management.

The Effect of Business Ethics Commitment on MSME Sustainability

The results of the analysis show a negative relationship between commitment to business ethics and MSME sustainability, with a coefficient value of -0.456 and a significance level ($p = 0.000$). This indicates that the higher the commitment of MSME actors to the principles of business ethics, the lower their level of business sustainability. This finding is quite surprising and contradicts the theoretical assumption that business ethics is an important foundation in building long-term sustainability. Conceptually, business ethics should strengthen reputation, enhance consumer trust and strengthen relationships with stakeholders. However, in practice, these results show a different reality on the ground, especially in the MSME sector. Empirically, this finding can be explained through the context of highly competitive, unbalanced and sometimes unhealthy business competition in the MSME world. Many MSME players face severe market pressures, including extreme price competition, non-transparent trade practices, and the dominance of larger or unethical businesses. In these situations, MSME players who maintain their ethical commitments, such as not making fictitious mark-ups, not spreading false information, or rejecting collusive practices, often experience obstacles in maintaining their business continuity. They can lose out to businesses that are more permissive of questionable practices that are considered “effective” in increasing profits. The supporting results of this research are (Bisnis & 2022, 2022) Business ethics is a way of doing business that covers all aspects relating to individuals, companies and society. Within the company, business ethics can shape the values, standards, and behavior of employees and managers, as well as build fair and healthy relationships with customers/partners, shareholders, and society. Other supporting research was conducted by (Halimah et al., n.d.) The effect of business ethics on increasing sales. The results show that MSMEs that consistently apply business ethics gain higher consumer trust, which leads to greater loyalty and repeat purchases. This is confirmed by testimonies of consumers who are satisfied with honest and responsive services from MSME stakeholders. Furthermore, it shows that ethical commitment without systemic support, such as fair regulation, good market surveillance, and thorough business ethics education, can be a vulnerability in itself. In an MSME ecosystem that is not yet fully healthy and does not have a level playing field, ethical ideals can collide with economic realities. Therefore, it is important not only to emphasize on individual ethical commitment, but also to build an ethical business system collectively.

The Effect of Business Ethics Commitment on Financial Accountability

Business ethics commitment actually has a very positive impact on financial accountability, with a coefficient value of 1.324 and highly significant ($p = 0.000$). This is in line with observations in the field that business actors who uphold integrity and moral responsibility tend to be more orderly in recording income and expenses, and do not manipulate reports. This finding shows that the higher the commitment of business actors to the principles of business ethics, such as honesty, responsibility, fairness and transparency, the higher the level of financial accountability in the MSME operations. This is in line with empirical observations in the field, where business actors who uphold integrity and moral values prove to be more disciplined in conducting financial records, and avoid the practice of manipulating reports or embezzling funds. Commitment to business ethics forms a culture of honesty and openness in carrying out business activities. MSME players who have ethical awareness tend to prepare financial reports in a more structured manner and based on the real conditions of the business, thus facilitating the process of evaluation and making the right managerial decisions.

In this context, ethics acts as a foundation that strengthens internal accountability, because it encourages business actors to account for every financial decision and action openly, both to themselves, capital owners, and external parties such as financial institutions and the government. This research is in line with research conducted by (Silvia et al., 2025) stated that the disclosure of corporate social responsibility (CSR) information by Indonesian Islamic commercial banks (CISBs) by 2023 plays an important role in improving financial transparency and accountability. Most Indonesian Islamic banks explicitly report their CSR programs in their annual reports. Ten of the thirteen banks analyzed disclose their various social, environmental, and religious activities. Other research (Ulya et al., 2024) explains that transparency and openness are important aspects of business ethics. Islamic financial institutions must provide clear and understandable information about the products and services they offer. This includes an explanation of the risks and costs associated with each transaction.

The Effect of Financial Accountability on MSME Sustainability

The effect of financial accountability on MSME sustainability is highly significant, as reflected by the coefficient value of 1.146 and the high T-statistic of 21.754. This value indicates that the relationship between financial accountability and MSME sustainability is not only statistically relevant, but also substantively strong. In other words, the higher the level of financial accountability of an MSME, the greater the opportunity for the business to survive in the long term and even thrive amidst increasingly complex market competition. Empirically, MSMEs that implement transparent and accurate financial recording and reporting practices tend to be more trusted by various external stakeholders. For example, financial institutions such as cooperatives, Islamic banks, and investors tend to assess the viability of an MSME from its financial statements. High accountability reflects the integrity of financial management, which is a key indicator in assessing credit risk and potential return on investment. Therefore, accountable MSMEs can more easily access funding for expansion or working capital strengthening. This research is in line with (Amanda et al., 2023) stated in the results of his research accounting skills, effective use of information technology, and the application of knowledge management (EMKM) have a significant influence on the sustainability of MSMEs. A strong understanding of accounting skills and information technology is essential for the implementation of EMKM. Another research was conducted (Widyaningrum et al., n.d.) Accountability and transparency of financial reporting are good, but better management is needed, and it is recommended to always systematically disclose sustainability aspects in its financial statements. On the other hand, accountability also serves as a very important internal management tool. With systematic financial records and timely reporting, business owners can monitor financial performance objectively, identify problems early, and make decisions based on data rather than intuition. This is crucial, especially in the face of economic dynamics and changing market demands. The local context in Medan City also shows that many government and private programs that provide technical or financial assistance to MSMEs require financial statements as the main document. MSMEs that have implemented accountability principles well are better prepared to participate in these programs and have greater access to training, financing, and business networks. Thus, financial accountability is not just an administrative factor, but an important pillar in building the overall sustainability and competitiveness of MSMEs.

Implementation of Sharia Transactions on MSME Sustainability through Financial Accountability

These results indicate that the indirect path between the Application of Sharia Transactions to MSME Sustainability through Financial Accountability has a statistically

significant negative effect. The Original Sample value of -0.736 indicates that when the application of Islamic transactions increases, but is not balanced with good financial accountability, the sustainability of MSMEs actually tends to decrease. The T-statistic value of 8.812 far exceeds the critical value of 1.96 (for 5% significance level), and the P-value of 0.000 (<0.05), indicating that this relationship is statistically significant. However, the negative direction of the relationship suggests the possibility that implementing sharia without accountable financial reporting may create administrative burdens or implementation barriers that affect business continuity. Theoretically, this indicates the importance of synergy between sharia values and transparent accounting practices, so that the application of sharia does not only become symbolic, but also contributes to real and measurable sustainability. The results of this study indicate that the indirect path between the Application of Sharia Transactions to MSME Sustainability through Financial Accountability has a statistically significant negative effect. The Original Sample (O) value of -0.736 indicates that when the application of sharia transactions in MSMEs increases, but is not accompanied by an adequate financial accountability system, then business sustainability tends to decrease. This means that an increase in the application of sharia principles that is not accompanied by the ability to prepare, present and report finances in an accountable manner, can actually have a counterproductive impact on the sustainability of MSMEs.

Furthermore, the T-statistic value of 8.812, which far exceeds the critical value of 1.96 (for a significance level of 5%), and the P-value of 0.000 (<0.05), confirm that the effect is highly statistically significant. However, the negative direction of the relationship suggests that there is a mismatch between the idealism of the application of sharia principles and the reality of financial practices at the MSME level. In practice, the implementation of sharia transactions may bring complex administrative changes or increase reporting burdens that MSME players are not yet fully capable of managing, especially those who do not have sufficient sharia accounting literacy. Theoretically, this phenomenon supports the view that the application of sharia values needs to be balanced with institutional and individual capacity to manage financial accountability. In other words, the application of sharia should not stop at the normative or symbolic aspects, but should be integrated with transparent, accurate and accountable accounting practices. This is in line with the principles of maqashid sharia that encourage the creation of justice, transparency and usefulness in economic activity. Therefore, the synergy between the application of sharia principles and modern accounting practices is the main key to ensure that the sustainability of MSMEs is not only maintained spiritually, but also supported administratively and financially.

Business Ethics Commitment to MSME Sustainability through Financial Accountability

These results indicate that the indirect path between Business Ethics Commitment to MSME Sustainability through Financial Accountability has a very strong and statistically significant positive influence. The Original Sample value of 1.517 indicates that the higher the commitment of MSME actors to business ethics, the greater the financial accountability formed, which in turn encourages business sustainability. The T Statistic value of 16.015 indicates a very strong relationship, and the P Value = 0.000 indicates high significance. This finding is in line with the theory of business ethics and accountability, which states that integrity in business creates transparency and trust that have a positive impact on long-term performance. In the context of Islamic MSMEs, commitment to ethical values is not only a moral aspect, but also a strategic resource that strengthens business sustainability. The results of this study indicate that the indirect path between Business Ethics Commitment to MSME Sustainability through Financial Accountability has a very strong and statistically significant positive effect. This is reflected in the Original Sample (O) value of 1.517, which indicates that the higher the level of

ethical commitment of MSME actors in running their business, the higher the level of financial accountability they realize. Good accountability will strengthen transparency and responsible financial management, which in turn will increase the sustainability of MSME businesses. Furthermore, the T-Statistic value of 16.015 indicates that the relationship is very strong and stable, while the P Value = 0.000 indicates a very high level of significance. This means that, statistically, there is no doubt that the financial accountability variable significantly mediates the relationship between business ethics commitment and MSME sustainability. This finding is in line with the Business Ethics and Accountability theory, which states that integrity and ethics in business not only shape moral behavior, but also create a more transparent and trustworthy system, which is very important in the long run. In the context of Islamic MSMEs, commitment to ethical values such as honesty, responsibility and fairness is not just a moral obligation, but also a managerial strategy that provides added value for business continuity. Financial accountability is a key mechanism that links ethical practices with sustainable business performance. When MSMEs act according to the principles of business ethics, they tend to run a more disciplined and transparent system of financial recording, reporting and monitoring. This increases the trust of investors, consumers, and business partners, which in turn supports the long-term stability and growth of their businesses.

CONCLUSION

Based on the results of the analysis and discussion, several important things can be concluded as follows:

1. The implementation of sharia transactions directly has a positive and significant effect on the sustainability of MSMEs. This means that values such as honesty, justice, and the prohibition of usury applied in economic transactions can strengthen trust and business resilience.
2. However, indirectly the application of sharia transactions through financial accountability actually shows a negative influence on the sustainability of MSMEs. This indicates a gap between the idealism of sharia and the ability of business actors to apply the principles of accountability technically and administratively.
3. Business ethics commitment directly has a negative effect on the sustainability of MSMEs. This finding reflects that MSME actors who uphold business ethics sometimes face market challenges that are less supportive of ethical practices, thus hindering business continuity.
4. In contrast, business ethics commitment has a very strong positive influence on financial accountability, which in turn contributes positively to MSME sustainability. This indicates that ethical business actors tend to be more disciplined in financial recording and reporting.
5. Financial accountability is proven to be an important factor that strengthens the sustainability of MSMEs. Transparency and responsibility in financial management are the foundation for access to financing, sound decision-making, and trust from partners and consumers.

Overall, this study confirms that the sustainability of sharia-based MSMEs requires not only commitment to moral and religious values, but also technical competence in accounting and financial governance. Therefore, improving Islamic financial literacy and business ethics training are urgent needs in the development of sustainable MSMEs.

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