AMERICAN JOURNAL OF
BUSINESS AND MANAGEMENT INNOVATION (AJBMI)

VOLUME 1 ISSUE 1 (2026)



PUBLISHED BY
E-PALLI PUBLISHERS, DELAWARE, USA

American Journal of Business and Management Innovation (AJBMI)

Volume 1 Issue 1, Year 2026
ISSN: 3143-4576 (Online)
DOI: https://doi.org/10.54536/ajbmi.v1i1.8814
https://journals.e-palli.com/home/index.php/ajbmi

The Impact of Digital Accounting Practices on the Financial Performance of Small and Medium Enterprises in Bangladesh

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Article Information

Received: July 30, 2026

Accepted: October 16, 2026

Published: November 05, 2026

Keywords

Bangladesh, Digital Accounting, Financial Decision Making, Financial Reporting Quality, PLS SEM, SME Performance

ABSTRACT

This interdisciplinary study examines the relationship between Information and Digital accounting can enhance the performance of enterprise where financial information is used to take managerial action. This paper discusses the links between digital accounting, quality of financial reporting, the effectiveness of financial decision making and perceptions of financial performance in a framework of small/ mid-size enterprises in Bangladesh. A qualitative analysis as an example is based on the provided synthetic practice dataset that has 470 records and twenty indicators. The partial least squares structural equation modelling is used to test six direct relationships and one sequential mediation hypothesis. Reliability, convergent validity, discriminant validity, collinearity, bootstrapped effects and repeated cross validated prediction are evaluated. The quality of reporting, effectiveness of decisions, and perceived performance have a positive correlation with digital accounting practices. There is also a positive relationship between the reporting quality and both the decision effectiveness and performance. The sequential indirect coefficient has a value of 0.039 with a confidence interval that does not contain zero. The model describes 18.2 percent, 27.4 percent, and 28.4 percent of the reporting quality, decision effectiveness, and the perceived performance variance. Predictive relevance is also positive in all endogenous indicators but is small with respect to linear benchmarks. The results depict a complementary interaction of accounting routines, information quality and managerial decisions. They back up a combined analytical framework instead of empirical arguments with regard to real businesses. Substantive generalisation should still be validated with confirmed field observations and objective financial results.

INTRODUCTION

The significance of digital accounting practices in the enterprise financial management discussions is gaining a more significant role. They can do more than substituting handwritten records with electronic ones. The accounting systems systematize the information on the transactions, facilitate periodical reporting and provide access to financial evidence to operational decisions (Nurwulandari, 2023). In the case of small and medium enterprises, they can be especially decisive since in many cases, financial obligations are held in a small number of managers. The information that is prepared by the owner or just a single employee in accounting may be relied upon in making decisions regarding purchases, customer credit, wages, investment, and borrowing (Etienne Fabian *et al.*, 2024). The value of digital accounting will thus be determined by the level of consistency with which the enterprise documents information and the effectiveness with which that information can be used in decision making.

The Bangladesh country is the target application context to the framework. Small and medium manufacturing, trading, and services firms are faced with various accounting demands and management limitations. A producer can require specific material and production cost data. A trading company can rely on inventory turnover and customer receivables (M. Hossain & Chowdhury, 2022). A service enterprise can focus on cash receipt, labour expenses and profitability of the project. The relationships suggested are related to financial information functions that are applicable in these environments. Their force, however, can vary depending on the size of the enterprise, industry, experience of the management, and the accounting routines maturity. The framework thus analyses typical mechanisms without providing that all enterprises receive equal advantages out of digitalization (Akadiati *et al.*, 2022).

A crucial initial mechanism is financial reporting quality. Digital tools have the potential to enhance availability and organisation of information, but reporting quality has to do with the resulting reports, and not with the technology. Financial information can be used to support meaningful evaluation; this depends on whether the information is accurate, complete, timely, clear and comparative (Rahmayanti & Rahmawati, 2020). Even electronic accounting processes can compromise reports due to poor coding, failure to capture transactions and inconsistent classifications and late reconciliation. Beneficial research ought to thus ascertain the quality of reporting distinctly over frequency and regularity of digital accounting practices (Fazlur Rahman Rahawarin *et al.*, 2023). The separation will also enable the model to determine the contribution of reporting quality to

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performance.

A second mechanism is financial decision-making effectiveness. Managerial value is created with information that supports the decision-making process that meets the needs of the enterprise. Good financial decisions are those based on prompt responses, option choice, correct resource distribution, consideration of cash needs and realization of desired results. These are activities connected to the reporting quality but are conceptually different. Information is described and organised in financial reports. Actions are actions that are produced out of that information through decisions (Rahmayanti & Rahmawati, 2020). It is reasonable to assume that a sequential relationship does exist: the best digital accounting practices are associated with the best reports, the best reports are associated with the best decisions, the best decisions are associated with the best financial results.

Perceived financial performance change is viewed as the ultimate result of the study. The questionnaire will evaluate the change in sales revenue, net profit, profit margin, investment returns, and operating cash generation over the past twelve months compared to the past twelve months. This methodology takes into consideration various elements of performance in an ordinary response structure (Fazlur Rahman Rahawarin *et al.*, 2023). However, perceptions cannot substitute auditing financial measures. The rule of thumb varies among various respondents and movements in nominal revenue might exist without similar movements in purchasing power or profitability (Pham & Vu, 2022). The result is therefore viewed as the evaluation of the change in performance and not an established financial ratio or financial outcome.

The study is directed by three objectives of analysis. The former is to investigate the direct connections among digital accounting practices and reporting quality, decision effectiveness, and perceived performance (Costa Melo *et al.*, 2023). The latter is to determine the relationship between reporting quality and decision effectiveness and performance in the same structural model. The third is to test the indirect sequential pathway of digital accounting practices to performance based on the quality of reporting and the effectiveness of decisions (Puspa Astari & Candraningrat, 2022). All these goals can answer the question of whether the suggested framework defines a more general organisational process than a mere correlation between the use of technology and the performance of an enterprise.

The contribution is methodological and conceptual in that the provided analysis workbook refers to data contained in it as synthetic practice data. The research thus forms a demonstrative use of the proposed questionnaire and structure (Hoque, 2023). Its quantitative data reveal the way the relationships can be assessed and understood, but leave no record of a survey of the enterprises in Bangladesh that is completed. It is important that this remains the distinction of the manuscript. The structure can be used to guide a future empirical study, and the current coefficients will still be features of the given practice data. These results do not imply in the inference that there is any population prevalence, policy, or realised improvement of enterprise (Yuen, 2023).

LITERATURE REVIEW

Digital Accounting as an Organisational Capability

Digital accounting practices define a regular use of electronic tools to capture transactions, operate accounting information and make reports and assist with daily accounting operations (Md. T. Hossain *et al.*, 2023). The construct deals with the frequency and uniformity of these practices in the enterprise. It does not categorize businesses as exclusive software owners or based on the expenditure of their accounting software. Digital accounting may be supported by spreadsheets, desktop applications, cloud applications, enterprise resource planning modules, and mobile applications (J. Gao *et al.*, 2023). This is based on whether they are a component of a trusted workflow that generates useful information as opposed to solo electronic records.

An aptitude approach offers a viable theoretical explanation. Resources can be valuable to an enterprise when organisational routines enable the resources to do the relevant tasks. Accounting software is a resource, and regular recording of transactions and preparing reports are practices according to which the resource will come to existence (Teng *et al.*, 2022). Employee familiarity, division of responsibility, evaluation, and supervisory focus has an impact on this. The framework thus considers the digital accounting practices as a pattern of organisational action. Those practices which are stronger demonstrate an indication of frequent recourse to digital processing of information, whereas weaker practices might indicate piecemeal application, haphazard documentation or still reliance on isolated manual processes (Sah, 2022).

This interpretation is supplemented by information processing reasoning. Financial management is the gathering of evidence of transactions, classifying of evidence, summarising of implications, and contemplating alternative actions. In cases where these tasks surpass the limits of informal records, delays and inconsistencies are likely to be experienced (Lutfi *et al.*, 2022). The digital accounting can also increase the potential of the enterprise to systematize information and access it when needed. More processing capacity, however, does not come with improved judgment. The system needs to create pertinent information and the management needs to interpret the information accordingly (Pan & Lee, 2020). These intertwined and yet distinct stages of organisational information use are captured by the difference between accounting practices, the quality of reporting, and the effectiveness of decision making.

Digital Accounting Practices and Financial Reporting Quality

The financial reporting quality is the usefulness of the

reporting of the accounting activity. Recorded transactions in accurate reports have no material inconsistency. Full reports will have the information that is required to determine financial position. Timely reporting to the management when decisions need to be made (Rahayu *et al.*, 2022). Reporting is done effectively through clear and comprehensible reports. Similar reports enable sound comparison over a period of reporting. The attributes give a multidimensional description of quality, which is applicable in internal SME financial management, in situations where the enterprise is not involved in the production of publicly available financial statements (Kosadi *et al.*, 2021).

These qualities can be nurtured by the routine digital accounting by the use of consistent data entry, reusable classifications, acceleration of aggregation, and access to historical data being less difficult (Siti Aminah *et al.*, 2023). As an illustration, documenting of transactions in a shared format can lessen the discrepancy of monthly totals. Routine e-processing can as well reduce the time used on preparing an income statement or cash summary (Ulyasari *et al.*, 2023). Such mechanisms are based on the accuracy behind the source records and the rigor of reporting. The hypothesis is thus a positive correlation between enhanced digital practices and quality reporting as opposed to presuming that electronic systems do away with accounting errors (Hosen *et al.*, 2020).

H1: Digital accounting practices positively relate to financial reporting quality among SMEs in the proposed Bangladesh context.

Digital Accounting Practices and Financial Decision Making Effectiveness

Digital accounting practices may be connected to the financial decision-making by channels not entirely relying on the quality of formal reporting (Li, 2021). The managers can refer to the account balances, customer books, inventory books, or transaction books. This information can help in making a payment decision without having to wait until a full monthly report is available (D. Gao *et al.*, 2023). Electronic records can also enable managers to analyse alternative spending choices or where there is a need of cash immediately. These operational uses of accounting information are linked to the direct relationship with decision effectiveness, and the contribution of quality financial reports when used separately.

Decision effectiveness entails aptness and time. An economically viable alternative may lose its worthage on an option picked at a late date (Kyurova, 2022). On the other hand, a quick decision might be inefficient in terms of resource allocation or lack of attention to cash needs that are predicted. Normal access to online records can assist administrators to act within the necessary timeframes and take into account the available budgets and conflicting demands (Rawashdeh & Rawashdeh, 2023). The tool quantifies the above properties on the basis of timely action, objective alignment, effectiveness in allocation, responsiveness to cash flow and accomplishment of the intended results. The anticipated association is of these managerial outcomes and not the pace of software operation per se.

H2: Digital accounting practices positively relate to financial decision making effectiveness among SMEs in the proposed Bangladesh context.

Digital Accounting Practices and Perceived Financial Performance

It is reasonable that a direct correlation between the digital accounting practice and financial performance needs to be considered since accounting routines may affect operational performance (Sumani & Prasetya, 2022). Regular computerized recording can minimize the work being done twice, ease the process of accessing records, and enhance the visibility of billings and payments. These operations could enable a business to utilize resources without all the benefits flowing through an official financial report (Athia *et al.*, 2023). The direct path adds the association with perceived performance that is not accounted by the inclusion of reporting quality and decision effectiveness in the structural model.

There is however a broader range of conditions which affect performance. Financial results may change because of sales demand, the price of inputs, the availability of finance, the competition, the production capacity and managerial strategy without the accounting practice (Hastuti *et al.*, 2021). Immediate benefits can also decrease in implementation costs, especially when employees are being trained or records are having to be reorganized. There is thus an implication of positive relationship at the construct level without necessarily insinuating that digitalisation is a sure way of ensuring profitability (Mangifera *et al.*, 2022). The model assesses the presence of better accounting practices as more favourable evaluation of financial change is present in the data provided.

H3: Digital accounting practices positively relate to perceived financial performance change among SMEs in the proposed Bangladesh context.

Financial Reporting Quality and Decision Effectiveness

Decisions can then be enhanced through the quality of financial reporting, which enhances the evidence presented to the management (Nurwulandari, 2023). The provision of accurate information minimizes the chances that the decision being made will react to accounting errors. Full disclosure unveils the obligations and resource needs which otherwise would have been ignored. Early reporting enables the management to take action when there are other options (Etienne Fabian *et al.*, 2024). Clarity facilitates interpretation and comparability aids in the distinguishing between patterns and one-off fluctuations. These functions justify that the relationship between reporting quality and decision effectiveness ought to be separate in the context of including digital

accounting practices as an additional predictor (M. Hossain & Chowdhury, 2022).

H4: Financial reporting quality positively relates to financial decision making effectiveness among SMEs in the proposed Bangladesh context.

Financial Reporting Quality and Perceived Performance

Perceived performance may involve financial visibility and control on quality of financial reporting. Credible reports enable a business to detect abnormal costs, observe margins and examine the correlation amid sales activity and cash outlay. They can also facilitate communication with the lenders, business partners and the internal stakeholders (Akadiati *et al.*, 2022). These informational functions may be important even when they are not encompassed by the indicators of decision effectiveness fully (Rahmayanti & Rahmawati, 2020). The direct reporting quality route thus acknowledges that reports are capable of supporting financial management by a number of links connected with each other.

H5: Financial reporting quality positively relates to perceived financial performance change among SMEs in the proposed Bangladesh context.

Decision Effectiveness and Perceived Performance

The effectiveness of financial decision making is conceptually similar to the actions of managing financial resources of enterprises. Decisions pertaining to payment can cause less disruption when they are made in time (Fazlur Rahman Rahawarin *et al.*, 2023). Managing expenditure can be made in line with business needs by making adequate investment decisions. Supply of resources can be done effectively to avoid resources being stuck in activities that do not add value to the enterprise goals. Cash requirements can also be considered as a way of enabling continuity of operations (Pham & Vu, 2022). These mechanisms give a justification to anticipate the positive correlation between decision effectiveness and perceived financial performance change.

H6: Financial decision-making effectiveness positively relates to perceived financial performance change among SMEs in the proposed Bangladesh context.

Sequential Mediation and Conceptual Framework

The sequential hypothesis is a combination of the above arguments into an integrated path of information and action. Stronger digital accounting practices are expected to relate to better financial reports (Costa Melo *et al.*, 2023). By having better reports, it should be able to make better decisions. Subsequently, better decisions in this regard are anticipated to be associated with better perceived performance. This chain is a more specific explanation than direct technology performance relationship since it recognizes the intermediate capabilities by which accounting information could be useful financially (Puspa Astari & Candraningrat, 2022).

There are also the direct paths of digital accounting to the decision effectiveness and performance in the model and a direct reporting quality performance path. Sequential mediation thus does not mean that the whole process of association takes a single path. Indirect routes that are shorter parallel are still a possibility (Hoque, 2023). The framework assesses these other effects to comprehend the combination of the specified relationships, but retains the sequential pathway as the seventh prespecified hypothesis. This pathway is the statistical product of three coefficients and the uncertainty in this pathway should be assessed using joint bootstrap resampling (Yuen, 2023).

H7: The perceived financial performance via financial reporting quality and financial decision-making effectiveness has a positive indirect relationship with digital accounting practices.

Figure 1 gives the suggested structure. The exogenous construct is digital accounting practices (Md. T. Hossain *et al.*, 2023). The mediating constructs are financial reporting quality and financial decision-making effectiveness and the ultimate endogenous construct is perceived financial performance. The arrows indicate the theoretical expectations of directional relationships. In the illustrative use at present they do not fix a sequence of time, or even causality (J. Gao *et al.*, 2023). An investigation in this direction in the future would require a design that is able to differentiate the hypothecated sequence and reverse relationships and shared organisational effects.

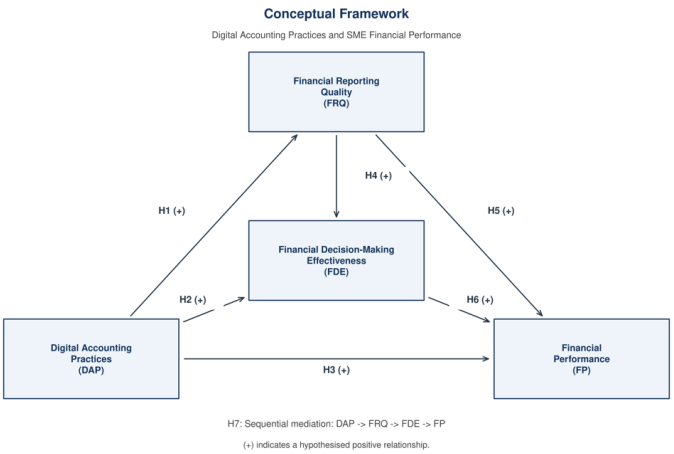


Figure 1: Conceptual framework linking digital accounting practices and perceived SME financial performance.

MATERIALS AND METHODS

Research Design and Analytical Scope

The proposed quantitative approach to the research is a structural modelling framework that will be used to test the hypothesized relationships between four constructs. Its substantive design is a cross-sectional questionnaire to be given to owners, managers, accountants and finance officers who are well acquainted with the practices of SME accounting as well as financial performance. The current analysis has been done on the basis of the provided results workbook, where the background observations are explicitly stated as being a synthetic practice data. Therefore, the sets of 470 notes are considered an illustrative analytic sample (Rahayu *et al.*, 2022). They are also not reported as confirmed respondents who were recruited based on real businesses and no field collection procedure is completed as evidenced by the questionnaire or demographic tables.

The materials to be used include the questionnaire and study plan, thirteen analysis tables, conceptual framework and a structural model diagram. The contents of these materials are reported in the manuscript instead of stating an independent re estimation of the results of raw observations. Aggregation workbook enables checking the reported coefficients, interval bounds, reliability statistics and prediction summaries (Sahithi, 2021). It lacks enough evidence to deduce the recruiting, response rates, duplicate screening, missing data handling, or software implementation settings other than the ones provided in its notes. The design description and the limitations include these limits.

Intended Population and Eligibility Conditions

The target audience is the small and medium enterprises in Bangladesh. The questionnaire presupposes voluntary agreement, understanding of accounting and financial performance, at least the three-year experience of managing an enterprise, and at least the year usage of digital accounting tools. Enterprise size is filtered as being small or medium and this is to be verified according to the classification used in a future sampling protocol. The materials provided do not record that protocol or the asset and employment requirements (Dr. Swarooprani. K, 2022). The written size groups thus are merely questionnaire groupings in lieu of national classification assignments, which are separately validated.

These eligibility criteria characterize research on businesses that already have a digital accounting exposure. The structure does not contrast adopters to those enterprises who have never utilized digital accounting tools. It looks at variations in strength and reliability of practices by eligible users. This difference is important since the associations in an adopter sample cannot be used to determine the impact of early adoption. An empirical study of the future should maintain the eligibility rationale, but it must specify how the enterprises are identified, how a single knowledgeable respondent is chosen and how one enterprise may be circumvented in making repeating responses.

Instrument and Construct Measurement

This questionnaire includes a total of twenty construct indicators, each having five construct indicators. Online accounting practices include information processing, transaction recording, report preparation, consistency of accounting processes, and daily (digital) tools. The quality of financial reporting includes the accuracy, completeness, timeliness, clarity, and comparability. The effectiveness of financial decision making encompasses, acting on time, business alignment, resources allocation, cash flow responsiveness and meeting the intended results (Adaikkalam Zabihi *et al.*, 2025). These three constructs employ a five-point scale of agreement with strongly disagree to strongly agree.

The change scale with respect to financial performance is five points. Its indicators relate to sales revenue, net profit, Net profit margin, returns on invested funds and the operating cash generation. The responses are the comparison of the last twelve months and the last twelve months, which are substantially decreased or increased. A three-point score tends to be a case of approximate stability and not moderate satisfaction or average profitability. The questionnaire allows an unable to assess response where there is inadequate information. These responses are not to be converted to a neutral score but regarded as missing. Each construct indicator has 470 observations in the aggregate tables.

The model that is provided specifies all the four constructs reflectively (Andiappan & Wan, 2020). The performance construct can thus be considered an everyday perceived change dimension that manifests itself in five financial indicators. This assumption is analytically consequential since revenue, margins, returns on investments and cash generation might not change in real enterprises. Their strong loadings in the practice data indicate the support of coherence in the practice data, but it should be followed by a follow-up field study that will test the claim of whether the reflective specification is still defendable. Measurement review ought to gauge both the substantive use of indicators and the statistical criteria.

Descriptive and Measurement Model Assessment

Descriptive analysis summarises the respondent and enterprise profile, accounting tool use, item distribution, construct means and correlation. The tool choices are multiple response observations and therefore when summed together they may have more than a hundred percentages. Construct descriptives are constructed with unweighted means of the five correlated items. Instead, structural estimation involves PLS construct scores and the definitions of the two scores are not considered interchangeable (Chen, 2023). The item table displays the means, the standard deviations, the ranges observed, skewness, and excess kurtosis to present the distributions of the responses without assuming that they are normally distributed within a population.

The measurement model is measured using outer loadingings, squared loading reliability, Cronbach alpha,

rho A, composite reliability and average variance extracted. The loading values are compared to workbook reference of 0.708, reliability to 0.70 and average variance extracted to 0.50. Heterotrait monotrait ratios and percentile bootstrap intervals are used in assessing discriminant validity. The present interpretation relies on the stricter 0.85 criterion due to the fact that the constructs depict theoretically different stages. Statistical thresholds are used to act as diagnostic aids and not replace conceptual assessment.

Structural Model and Mediation Assessment

The PLS Mode A estimation is outlined in the provided workbook. Inner variance inflation factors are used to test structural collinearity in each set of endogenous predictors. Reported E.V. are R2 and adjusted R2. The effect sizes compare the change in the explained variance when a predictor is not included and the estimated construct scores are held constant. These values characterize the calculated which must not be reported as the results of a full re estimation of all the reduced measurement models.

Bootstrap resamples (5,000) and two-sided 95 percent percentile confidence intervals are used to assess direct and indirect relationships. The reported probability values are bootstrap approximations of normal reference values, using bootstrap standard errors. Positive hypotheses are supported when their intervals are totally above zero. Indirect coefficients are the products of constituent paths, which are computed, in the same resample, to maintain dependence (Earley, 2023). Direct effects and indirect effects are added together to get total indirect effects, and direct and indirect coefficients are added together to form total effects. Mediation is understood in a statistical sense and does not assert that cross sectional or synthetic observations are the steps in a causal sequence.

Predictive Assessment and Research Ethics

Predictive assessment involves cross validation which is repeated five times and tenfold. The algorithm generates 2,350 predictive observations on an indicator where the 470 records are compared on repeated subdivisions. These forecasts do not show 2,350 independent enterprises. The workbook indicates the earliest antecedent prediction as the sole input to the workbook with only held up digital accounting indicators as inputs. The positive predictive Q squared values are signs of improvement to a training bench mark of mean. Root mean squared error and mean absolute error are also used to compare PLS prediction errors to a linear model (Emon, 2024). There is no clipping or rounding of predictions to response scale.

The questionnaire will consist of a voluntary participation, confidentiality, discontinuation and aggregate reporting.

RESULTS AND DISCUSSION

Respondent and Enterprise Characteristics

There are 470 practice records in the analytical sample. Table 1 is a summary of the profile types that can be found in the data set. The owner managers and the owners cover 41.3 percent of records. The numbers of accountants, finance officers, and general managers add up to 21.1 percent, 18.9 percent, and 18.7 percent, respectively. The portrayal of various roles goes hand-in-hand with the target eligibility of knowledgeable enterprise informants (Nurwulandari, 2023). But the frequencies of these categories are indicative of the constructed analytical sample, and are not the occupation of respondents in a completed field survey.

Data origin for all tables and figures: supplied synthetic

Table 1: Respondent and Enterprise Characteristics

Panel A

Variable	Category	n	Percent
Position	Owner	94	20
Position	Owner-manager	100	21.277
Position	General manager	88	18.723
Position	Accountant	99	21.064
Position	Finance officer	89	18.936
Position	Other	0	0
Tenure	Less than 1 year	0	0
Tenure	1–3 years	104	22.128
Tenure	4–6 years	130	27.660
Tenure	7–10 years	124	26.383
Tenure	More than 10 years	112	23.830
Education	Secondary or below	0	0
Education	Higher secondary	114	24.255
Education	Diploma	122	25.957
Education	Bachelor's degree	104	22.128
Education	Master's degree or above	130	27.660

Education	Other	0	0
Sector	Manufacturing	143	30.426
Sector	Trading	170	36.170
Sector	Services	157	33.404
Sector	Other	0	0
Ownership	Sole proprietorship	170	36.170
Ownership	Partnership	144	30.638
Ownership	Private limited company	156	33.191
Ownership	Other	0	0
Division	Dhaka	127	27.021
Division	Chattogram	74	15.745
Division	Rajshahi	41	8.723
Division	Khulna	51	10.851
Division	Barishal	44	9.362
Division	Sylhet	44	9.362
Division	Rangpur	38	8.085
Division	Mymensingh	51	10.851
Location	Urban	246	52.340
Location	Peri-urban	110	23.404
Location	Rural	114	24.255
Business Age	3–5 years	105	22.340
Business Age	6–10 years	126	26.809
Business Age	11–15 years	108	22.979
Business Age	More than 15 years	131	27.872
Record Keeper	Owner	116	24.681
Record Keeper	Internal accountant or finance employee	227	48.298
Record Keeper	External accounting service provider	127	27.021
Record Keeper	Other	0	0
S3	Small enterprise	345	73.404
S3	Medium enterprise	125	26.596

Panel B

Variable	Valid N	Mean	SD	Minimum	Maximum
Full-time employees	470	44.483	28.762	10	119

Note: All profile results refer to the final analysis sample. Percentages use valid responses for each variable. Enterprise size follows the recorded survey classification.

practice data. N = 470.

Small enterprises take 345 records, equating to 73.4 percent, and medium enterprises take 125 records, equating to 26.6 percent. The largest category in terms of sector is trading 36.2 percent, services 33.4 percent, and manufacturing 30.4 percent. Urban enterprises take 52.3 percent with peri urban and rural taking 23.4 and 24.3 percent respectively. Dhaka has the highest division share of 27.0 percent. The mean number of employees is 44.48 and the SD is 28.76 and the range is between 10 and 119.

Digital Accounting Usage Profile

Table 2 explains the time and area of use of digital accounting, training status and the choices of tools. The highest duration category and the largest is 39.4 percent digital accounting experience of three to five years. One to two years' experience takes 36.8 percent and inexceeding five years takes 23.8 percent. The share of the digital transactions is spread across all four categories of coverage. Such distribution demonstrates the difference in the intensity of the implementation among enterprises thinking of the users and not just a dichotomy between digital and non-digital organisations.

In 48.9 percent of records, spread sheets are used. The choice of mobile accounting application is 42.1 percent, cloud accounting, 40.2 percent, enterprise resource planning modules, 38.9 percent, and desktop software 38.1 percent. Due to several allowed answers when choosing

Table 2: Digital Accounting Usage Profile

Panel A

Variable	Category	n	Percent
Digital Accounting Years	1–2 years	173	36.809
Digital Accounting Years	3–5 years	185	39.362
Digital Accounting Years	More than 5 years	112	23.830
Digital Transaction Share	Less than 25%	122	25.957
Digital Transaction Share	25–49%	119	25.319
Digital Transaction Share	50–74%	107	22.766
Digital Transaction Share	75–100%	122	25.957
Accounting Training	Yes	236	50.213
Accounting Training	No	107	22.766
Accounting Training	Unsure	127	27.021

Panel B

Tool	n	Percent
Spreadsheets	230	48.936
Desktop accounting software	179	38.085
Cloud accounting software	189	40.213
ERP accounting module	183	38.936
Mobile accounting application	198	42.128
Other digital accounting tools	0	0

Note: Tool percentages use all enterprises in the final sample as the denominator and may sum to more than 100%. Missing tool responses are reported separately.

the tools, these percentages do not characterize software markets that are mutually exclusive. The table is unable to determine whether tools are integrated or parallel systems duplicate information. Training is documented as present in 50.2 percent records, absent in 22.8 percent records and uncertain in 27.0 percent records. There is no individual training performance relationship that is estimated.

Item Distributions and Construct Descriptives

Table 3 shows the twenty measurement items. Digital accounting item range between 3.232 and 3.332. The quality of reporting falls between values of 3.134 and 3.202 indicating good range and between 3.157 and 3.217 indicating good range. The performance change item range is between 3.068 and 3.123. Each of the items scores

Table 3: Descriptive Statistics of Measurement Items

Construct	Item	Mean	SD	Skewness	Excess kurtosis
DAP	DAP1	3.232	1.150	-0.048	-0.700
DAP	DAP2	3.262	1.151	-0.195	-0.745
DAP	DAP3	3.287	1.185	-0.238	-0.795
DAP	DAP4	3.309	1.131	-0.183	-0.752
DAP	DAP5	3.332	1.129	-0.215	-0.687
FRQ	FRQ1	3.185	1.132	-0.120	-0.749
FRQ	FRQ2	3.202	1.170	-0.213	-0.759
FRQ	FRQ3	3.138	1.175	-0.049	-0.901
FRQ	FRQ4	3.134	1.126	-0.050	-0.696
FRQ	FRQ5	3.168	1.146	-0.025	-0.788
FDE	FDE1	3.157	1.128	-0.142	-0.760
FDE	FDE2	3.211	1.120	-0.075	-0.765
FDE	FDE3	3.166	1.167	-0.051	-0.851
FDE	FDE4	3.217	1.110	-0.201	-0.557
FDE	FDE5	3.183	1.124	-0.111	-0.697
FP	FP1	3.079	1.165	-0.113	-0.763
FP	FP2	3.123	1.128	-0.056	-0.683

FP	FP3	3.068	1.173	-0.077	-0.852
FP	FP4	3.096	1.154	0.013	-0.872
FP	FP5	3.115	1.177	0.036	-0.778

Note: Items are scored from 1 to 5. Kurtosis is excess kurtosis, with a normal-distribution reference value of zero. Skewness and kurtosis use moment-based calculations.

on the entire observed range of one to five and contains 470 observations. Their standard deviations reveal a high degree of fluctuation in the means, meaning that rather modestly positive average scores do not mean that there may not be equal-strong practices across records or that performance is improving across records.

The value of skewness is not large and the excess kurtosis is negative in all items. No evident asymmetry is prevailing in the reported summaries in the distributions as such. These statistics are not conclusive and only give useful descriptive evidence that not all the modelling assumptions hold. Specifically, the categories of ordinal responses do not transform into continuous financial measures as the distributions are mostly equal. Performance item indicates that slightly above three indicates a slight average tendency of perceived improvement in the practice data. They do not measure a percentage growth in sales, profit, returns or operating cash generation (Costa Melo *et al.*, 2023).

Reliability and Convergent Validity

Outer loadings and construct reliability are given in table 4. The 20 outer loadings are more than the reference value 0.708. The digital accounting loads vary around 0.787 to 0.857, reporting quality 0.774 to 0.851 and decision effectiveness ranges between 0.784 to 0.857. The performance indicators are also in line with the criterion stated. These findings demonstrate that the indicators are adequately related to their respective construct scores

Table 4: Indicator and Construct Reliability and Validity

Panel A

Construct	Item	Loading	Loading²
DAP	DAP1	0.787	0.620
DAP	DAP2	0.792	0.628
DAP	DAP3	0.850	0.723
DAP	DAP4	0.857	0.735
DAP	DAP5	0.838	0.702
FRQ	FRQ1	0.774	0.600
FRQ	FRQ2	0.820	0.672
FRQ	FRQ3	0.820	0.672
FRQ	FRQ4	0.825	0.680
FRQ	FRQ5	0.851	0.725
FDE	FDE1	0.788	0.621
FDE	FDE2	0.822	0.676
FDE	FDE3	0.784	0.615
FDE	FDE4	0.815	0.665
FDE	FDE5	0.857	0.734
FP	FP1	0.822	0.675
FP	FP2	0.801	0.641
FP	FP3	0.802	0.644
FP	FP4	0.827	0.684
FP	FP5	0.852	0.726

Panel B

Construct	Alpha	rho A	CR	AVE
DAP	0.883	0.887	0.914	0.681
FRQ	0.876	0.876	0.910	0.670
FDE	0.872	0.875	0.907	0.662
FP	0.879	0.881	0.912	0.674

Note: Standard PLS Mode A estimation. Indicator reliability equals the squared outer loading. Common reference values: loading 0.708, reliability 0.70 and AVE 0.50. Do not delete items solely to meet thresholds. Reliability substantially above 0.95 may indicate redundancy.

in the provided estimation. Their indicator reliability measures are the same as those given in the source workbook because of their squared loadings.

The value of the Cronbach alpha is between 0.872 and 0.883. The values of composite reliability are between 0.907 and 0.914 and the rho A between 0.875 and 0.887. Digital accounting, reporting quality, decision effectiveness and performance have an average variance extracted of 0.681, 0.670, 0.662 and 0.674 respectively. The values promote internal consistency and convergent validity of the practice dataset. The highest composite reliability is also not above 0.95 which makes it easier not to worry about excessive statistical redundancy under the guidance of the workbook. Good measurement statistics cannot determine the instrument validity in real enterprises.

Discriminant Validity

Table 5 presents heterotrait monotrait ratios of all six pairs of constructs. The values go up to 0.433 of reporting quality and performance to 0.523 of reporting quality and decision effectiveness. They are all lower than the selected 0.85. The high confidence limits are between about 0.514 and 0.601, and all the intervals are less than one. This fact favors distinction of the four constructs in the provided practice analysis. The quality of reporting and the effectiveness of decisions are connected but not statistically different under the criterion reported.

Table 5: Discriminant Validity Using HTMT

Construct 1	Construct 2	HTMT	95% lower	95% upper
DAP	FRQ	0.484	0.397	0.571
DAP	FDE	0.479	0.396	0.558
DAP	FP	0.483	0.403	0.559
FRQ	FDE	0.523	0.442	0.601
FRQ	FP	0.433	0.344	0.514
FDE	FP	0.506	0.422	0.584

Note: HTMT is calculated from absolute item correlations. Intervals are two-sided 95% percentile bootstrap intervals. Choose 0.85 or 0.90 according to construct similarity and state the chosen criterion before interpreting results.

Construct Scores and Correlations

Table 6 gives unweighted averages of the constructs and Pearson correlations. Digital accounting has the largest mean of 3.284 with a decision effectiveness of 3.187 and reporting quality of 3.166. There is a mean of 3.096 on perceived financial performance. The standard deviations are between 0.919 and 0.952. The correlation and all the pair wise correlations are positive, with a range of 0.380 to 0.457. The most significant descriptive correlation is between the quality of reporting and decision effectiveness, which aligns with the framework on the difference between the information that management has and the effectiveness of its utilization.

Table 6: Construct Descriptives and Correlations

Construct	Mean	SD	DAP	FRQ	FDE	FP
DAP	3.284	0.948	1	0.425	0.420	0.426
FRQ	3.166	0.941	0.425	1	0.457	0.380
FDE	3.187	0.919	0.420	0.457	1	0.442
FP	3.096	0.952	0.426	0.380	0.442	1

Note: Construct scores in this table are unweighted means of their five items. Structural model calculations use estimated PLS scores. This table is descriptive and does not replace HTMT.

Structural Collinearity and Explanatory Power

Inner variance inflation factors are reported in table 7. The digital accounting predictor of reporting quality is equal to one since it is the only predictor of that equation. Each

Table 7: Structural Model Collinearity Assessment

Outcome	Predictor	VIF
FRQ	DAP	1
FDE	DAP	1.222
FDE	FRQ	1.222
FP	DAP	1.330
FP	FRQ	1.381
FP	FDE	1.377

Note: VIF is calculated within each endogenous predictor set. A sole predictor has VIF = 1. Values below 3 are preferable; values approaching or exceeding 5 require investigation. VIF alone does not establish absence of common method bias.

of the predictors of decision effectiveness has a value of about 1.222. The predictors of performance are between 1.330 and 1.381. These values are lower than three and none of them shows that the predictor collinearity is severe in the given model. They aid in interpreting the individual coefficients without significant inflation due to redundancy of predictor information.

The explanatory variables of variance and predictor effects are reported in Table 8. The R squared of reporting quality is 0.182 and 0.180 respectively. The adjusted and R squared of decision effectiveness are 0. 271 and 0. 274 respectively. The R squared and adjusted R squared of perceived performance is 0.284 and 0.280 respectively. The model thus describes a significant, albeit, small proportion of construct score variance in the practice sample. A significant portion of performance variance is external to the predictors that are captured, so the framework cannot be said to offer a comprehensive explanation of enterprise financial performance.

Table 8: Explained Variance and Effect Sizes

Panel A

Outcome	**R^2**	**Adjusted R^2**
FRQ	0.182	0.180
FDE	0.274	0.271
FP	0.284	0.280

Panel B

From	To	f^2	Magnitude
DAP	FRQ	0.222	Medium
DAP	FDE	0.088	Small
DAP	FP	0.065	Small
FRQ	FDE	0.129	Small
FRQ	FP	0.024	Small
FDE	FP	0.072	Small

Note: R-squared is calculated from regressions on PLS scores. f-squared removes one predictor while holding the estimated construct scores fixed. Reference f-squared values: 0.02 small, 0.15 medium and 0.35 large.

The effect size of the impact of digital accounting reporting on the quality of reporting is 0.222 which is a medium size considering the stated reference values. The other five direct relationships have small effect sizes. The decision effectiveness is added to by reporting quality (0.129) and digital accounting (0.088). This gives a contribution of 0.072 on performance with decision effectiveness, contribution of 0.065 with digital accounting and contribution of 0.024 with reporting quality. Individual predictor contributions are typically small because of these results that qualify the significance findings. The smallest incremental contribution to the reporting quality performance relationship has statistical support even though it is the least significant when compared to other performance metrics.

Direct Relationships and Hypothesis Testing

The six direct relationships are given in Table 9. Digital accounting is positively correlated with the quality of reporting, with a standardised coefficient of 0.427 and a 95 percent interval between 0.350 to 0.502. It is connected to the effectiveness of the decision with the relationship of 0.280 and the interval is between 0.195 and 0.364. It has a direct relation to perceived performance, 0.250 with a range of 0.170-0.329. These are the findings that confirm H1, H2, and H3 in the given practice data, with a positive interval pre-specified criterion.

Table 9: Direct Relationships and Hypothesis Testing

Hypothesis	**From**	**To**	**β**	**SE**	**t**	**95% lower**	**95% upper**
H1	DAP	FRQ	0.427	0.039	10.873	0.350	0.502
H2	DAP	FDE	0.280	0.043	6.535	0.195	0.364
H3	DAP	FP	0.250	0.041	6.095	0.170	0.329
H4	FRQ	FDE	0.339	0.042	8.150	0.258	0.421
H5	FRQ	FP	0.154	0.043	3.569	0.068	0.236
H6	FDE	FP	0.267	0.044	6.010	0.181	0.355

Note: Coefficients are standardised PLS path coefficients. Bootstrap percentile intervals use 5,000 resamples. P-values are two-sided normal-reference approximations. A positive hypothesis is supported when its 95% confidence interval lies entirely above zero.

The quality of reporting is positively associated with effective decisions with a coefficient of 0.339 and a range of 0.258 to 0.421. It has a direct performance coefficient of 0.154 with a range of 0.068 to 0.236. The performance coefficient of decision effectiveness is 0.267 with a value of 0.181 to 0.355. H4, H5 and H6 are thus supported. All the approximated probability values are less than 0.001. This trend fits into the suggested framework, but the size of the coefficients and the magnitude of the effect are more informative regarding the relative contributions rather than the all-or-none uniform significance decisions. The standardised coefficients, as well as the endogenous R squared, are shown in Figure 2. The figure does not determine that one predictor is statistically more powerful than the other.

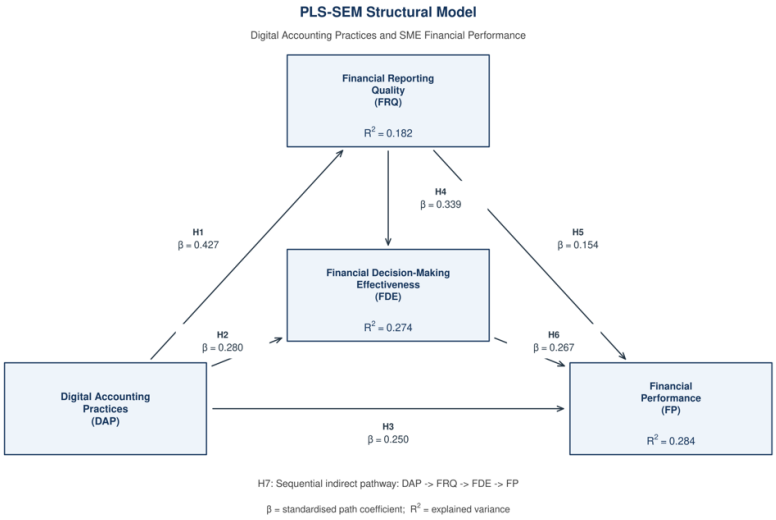


Figure 2: Estimated structural model with standardised coefficients and explained variance in the practice dataset.

Indirect Relationships and Combined Effects

There are specific indirect relationships reported in Table 10. The coefficient of the sequential relationship between digital accounting and reporting quality and decision effectiveness and the performance is 0.039. It has a range of 0.023 to 0.059 that favors H7 in the practice dataset. The coefficient of the shorter reporting quality route is 0.066 and the shorter decision effectiveness route coefficient is 0.075. Neither of the intervals has zero. There are other indirect relationships which are positive with digital accounting in terms of reporting quality to decision effectiveness and performance, reporting quality to decision effectiveness to performance.

Table 10: Specific Indirect Effects and Mediation

Indirect route	β	SE	95% lower	95% upper
DAP → FRQ → FP	0.066	0.020	0.028	0.107
DAP → FDE → FP	0.075	0.017	0.045	0.111
DAP → FRQ → FDE → FP	0.039	0.009	0.023	0.059
DAP → FRQ → FDE	0.145	0.023	0.103	0.194
FRQ → FDE → FP	0.091	0.020	0.056	0.132

Note: Indirect effects are products of path coefficients. Each bootstrap product uses paths from the same resample. H7 is DAP -> FRQ -> FDE -> FP. Interpret mediation using indirect confidence intervals together with the relevant direct effect.

Complementary partial statistical mediation is congruent with the coexistence of positive direct and indirect relationships between the digital accounting performance. The model association is explained by the mediators, with a direct coefficient left. The sequential effect is not as large as either of the shorter performance routes, not surprisingly since it is the product of three coefficients. The fact that it supports the proposed chain is only an indication that information and decisions would be delivered in such a temporal order, rather than a guarantee that information and decisions do so. The sequence would have to be differentiated by longitudinal observation to prevent confusion between sequence and reciprocal or shared influences.

Table 11 is a combination of direct, total indirect factors, and total effects. The overall indirect digital accounting performance coefficient is 0.179 with a range of 0.135 to 0.232. The coefficient of 0.250 added to the direct coefficient gives a total coefficient of 0.429, and a range of 0.359 to 0.497. The effectiveness coefficient of the total digital accounting decision is 0.424 and the effectiveness coefficient of the total reporting quality is 0.244. These totals represent the mentioned routes included in the model and cannot be perceived as the effects of an externally provided accounting treatment.

Table 11: Direct, Total Indirect and Total Effects

From	To	Effect	β	95% lower	95% upper
DAP	FDE	Direct	0.280	0.195	0.364
DAP	FDE	Total Indirect	0.145	0.103	0.194
DAP	FDE	Total	0.424	0.352	0.496
DAP	FP	Direct	0.250	0.170	0.329
DAP	FP	Total Indirect	0.179	0.135	0.232
DAP	FP	Total	0.429	0.359	0.497
FRQ	FP	Direct	0.154	0.068	0.236
FRQ	FP	Total Indirect	0.091	0.056	0.132
FRQ	FP	Total	0.244	0.163	0.325

Note: Total indirect effects sum all specified indirect routes. Total effect equals direct plus total indirect effect. Bootstrap intervals retain covariance across routes by combining coefficients within each resample.

These three particular digital accounting performance indirect coefficients add up to the overall indirect coefficient prior to rounding. The consistency underlies the numeric consistency of the decomposition reported. There is an approximation of 41.8 percent indirect routes as a total digital accounting performance association, determined through a ratio of total indirect to total effect. This ratio is descriptive itself, and there is no bootstrap interval associated with this ratio. It cannot be considered as a causal share and as the only basis to classify mediation. The central statistical evidence is presented by the direct and indirect intervals.

Predictive Performance and Hypothesis Summary

Table 12 gives repeated cross validated predictions of fifteen endogenous indicators. All predictive Q squared values are positive and are between 0.087 and 0.152. The model thus outdoes the training mean benchmark of all indicators listed. PLS outperforms the linear benchmark in root mean squared error on all five reporting quality measures, four out of five decision effectiveness measures and all five performance measures. The only exception is that of decision effectiveness FDE4. Such comparisons give indications of predictive relevance in the data of practice.

Table 12: Out-of-Sample Predictive Performance

Item	Q^2 predict	PLS RMSE	LM RMSE	Δ RMSE	PLS MAE	LM MAE
FRQ1	0.107	1.071	1.079	-0.008	0.875	0.880
FRQ2	0.118	1.100	1.107	-0.006	0.907	0.910
FRQ3	0.132	1.097	1.100	-0.003	0.924	0.922
FRQ4	0.109	1.064	1.071	-0.007	0.871	0.877
FRQ5	0.132	1.069	1.073	-0.004	0.881	0.882
FDE1	0.087	1.078	1.079	-0.001	0.884	0.881
FDE2	0.106	1.059	1.065	-0.006	0.870	0.878
FDE3	0.124	1.094	1.101	-0.007	0.907	0.909
FDE4	0.106	1.050	1.048	0.002	0.864	0.858
FDE5	0.152	1.036	1.040	-0.004	0.849	0.852
FP1	0.130	1.088	1.090	-0.003	0.895	0.892
FP2	0.099	1.072	1.078	-0.006	0.873	0.881
FP3	0.105	1.111	1.118	-0.006	0.916	0.923
FP4	0.135	1.074	1.079	-0.005	0.906	0.911
FP5	0.135	1.096	1.096	-0.000	0.907	0.903

Note:Repeated 10-fold earliest-antecedent prediction. Only DAP indicators are held-out prediction inputs. Q2_predict compares PLS error with training-mean error. Negative PLS-minus-LM differences favour PLS. No clipping or rounding of predicted scores is applied. Note: Repeated earliest-antecedent prediction (10-fold). Hold-out prediction inputs are only those in the form of DAP indicators. Q2_ predict: It is a comparison of PLS error versus training-mean error. The negative differences between PLS and LM favour PLS. Predicted scores are not clipped or rounded off.

The statistical gains are not significant. Root mean squared error differences typically are on the order of a few thousandths of a scale point, and the smallest performance gain is about 0.0002 in the case of FP5. The comparisons of mean absolute errors are less consistently favourable with a number of indicators showing worse

results with PLS than with the linear model. The findings hence endorse small predictive benefits as opposed to a clear operational edge. Errors in prediction are still at the level of one category of responses and even multiple validation in synthetic data sets cannot determine transportability to observables of enterprises separately gathered.

The seven decisions on the hypothesis are summarised in table 13. All six direct hypotheses and the sequential indirect hypothesis meet the positive confidence interval criterion. They have internal consistency in their direct, mediation and summary tables. But, statistical support must be viewed with small explained variance, predominantly small effects, small prediction benefits, and the source of practice data. Those qualifications are not eliminated in the summary and turn the illustrative analysis into empirical data about SMEs in Bangladesh.

Table 13: Summary of Research Hypotheses

Hypothesis	Relationship	β	95% lower	95% upper	Decision
H1	DAP → FRQ	0.427	0.350	0.502	Supported
H2	DAP → FDE	0.280	0.195	0.364	Supported
H3	DAP → FP	0.250	0.170	0.329	Supported
H4	FRQ → FDE	0.339	0.258	0.421	Supported
H5	FRQ → FP	0.154	0.068	0.236	Supported
H6	FDE → FP	0.267	0.181	0.355	Supported
H7	DAP → FRQ → FDE → FP	0.039	0.023	0.059	Supported

Note: H1–H6 are direct effects; H7 is sequential mediation. Decisions use positive two-sided 95% bootstrap intervals. Statistical support does not establish causality or practical importance.

Discussion

Digital Accounting and the Quality of Financial Information

The most correct direct correlation is between digital accounting practices and the quality of reporting. This finding is consonant with the framework focus on the accounting routine as a source of financial information (Rahmayanti & Rahmawati, 2020). Regular recording, processing and report preparation conditions can enhance accuracy, completeness and timeliness as they go. The medium incremental effect size also shows that digital accounting contributes to the reporting quality to a greater extent than the individual predictors do to the performance. The initial stage of information in the illustrative model is thus the most straightforward connection between digital practices and organisational capability.

The explained variance of reporting quality is still 18.2 percent. Digital accounting in itself thus can be found to be leaving much of its change to explain. Issues of accounting competence, manageability, review discipline, complexity of transactions, managerial oversight and consistency of classification may act as an addition to the measured practice construct. These possibilities point at areas to investigate in the future as opposed to determined omitted effects (Costa Melo *et al.*, 2023). The small explanatory outcome bar a technological explanation whereby digital instruments dictate the quality of reporting by themselves. The framework rather facilitates the exploration of the interactions of technology use with organisational routines and the ability of the organisation to sustain dependable information.

Information Quality and Managerial Action

There is a positive relation between reporting quality and decision effectiveness along with the inclusion of digital accounting practices. This difference justifies the theoretical distinction between the production and usage of information. Improved reports can provide management with a more confident foundation to assess financial options, and operational decisions could also be backed up by access to digital records (Md. T. Hossain *et al.*, 2023). The positive directions concomitant mean that these channels may coexist. Digital practices are directly and indirectly (like in reporting quality) related to the effectiveness of the decisions, and the total coefficient is greater than both of them.

Direct and Mediated Performance Associations

When both the mediators are introduced, digital accounting practices maintain a positive direct relation to performance. This residual association can fit the accounting functions that are not confined to formal report quality and the measured dimensions of decisions. Quick retrieval, better visibility of transactions, and better-organised records may help in the financial management in a number of ways (Hoque, 2023). Nonetheless, these explanations are abstract as operational time savings are not measured or implemented costs are not measured in the study. The direct coefficient needs to be characterized as a residual model association that is not explained in the first place but is not attributed with confidence to a specific mechanism that is not measured.

The three indirect digital accounting performance routes are also good. The numerically specific indirect route is the largest, then comes the reporting quality route and then the sequential route. The specified arrangement emphasizes the significance of managerial action in the model in question. However, the magnitudes fail to create a statistically proven hierarchy since they have not been subjected to tests depicting differences (Costa Melo *et al.*, 2023). The stepwise pathway offers the most detailed

theoretical mechanism yet has the smallest product coefficient. It has value in that it specifies a coherent chain to be tested in the future, not in the assumption that the longest path is the most important of all the associations. The performance coefficient of reporting quality is smaller than those of decision effectiveness and digital accounting practices. The fact that it has a small incremental effect size is in line with an enabling role in which reports justify actions which are more directly associated with financial performance. The positive reporting quality indirect coefficient through decision effectiveness adds to this interpretation (Hoque, 2023). The quality of information can be significant in part due to the fact that managers can take action based on it. The cumulative evidence thus supports the value of a combined approach to reporting and decision-making, but does not underlie the presumption that report generation itself can bring about significant financial gain.

Explanatory Limits and Predictive Interpretation

The model explains 28.4 percent variation in perceived performance. This finding confirms the applicability of the constructs involved in the practice dataset but leaves a lot of room to other determinants (Yuen, 2023). The accounting alone is not the key to financial performance, but relies on the market and organisational conditions. The remaining variance cannot be explained by isolated random error, as there are other constructs and controls that may be relevant and which the model fails to account. Empirical extension must also intelligently choose more variables based on theory and determine whether they help to clarify the relationship between accounting performance without confounding the relationship by overly convoluting the model (Rahayu *et al.*, 2022).

Results of prediction provide a relative evaluation. When there is positive predictive Q squared value, it indicates that digital accounting predictors carry valuable information to predict endogenous accounting predictors as compared to a mean benchmark (Ulyasari *et al.*, 2023). Minimal PLS root mean squared errors on fourteen out of fifteen indicators also suggest positive comparisons with the executed linear benchmark. However, the absolute differences are highly negligible and a number of mean absolute error comparisons are in favour of the linear model. The model thus shows little predictive enhancement instead of a robust individual enterprise forecasts foundation. Decision support application would need a lot of validation compared with the cross-validation exercise reported (D. Gao *et al.*, 2023).

Theoretical Implications

The framework unites a capability interpretation and an information processing interpretation. Digital accounting practices characterize the common organisational utilisation of resources (Li, 2021). The resulting information properties are referred to as reporting quality. Decision effectiveness refers to quality of financial action and performance is an outcome that could be linked with such capabilities. The proposed structure provides the proposed mechanism with definite conceptual phases whilst permitting direct paths that identify alternative paths (Rawashdeh & Rawashdeh, 2023). The exemplary examination demonstrates that this sort of framework is capable of generating discernible constructs and a clarifiable partition of relationships.

Practical Implications

The accounting digitalisation as an organisational process should be analysed using an empirical programme based on this framework. Primary evaluation might focus on the establishment of routine transaction capture, regular coding, prompt reconciliation, and available reports. These functions provide informative indicators of implementation than software ownership alone (Sumani & Prasetya, 2022). The management also needs to be able to know by whom the data is entered, checked and used to generate the reports. Defined roles can make accounting data more reliable and give a platform to diagnose that challenges exist either with the system or the recording workflow or understanding the reports.

Training must bridge the linkage between technical activities and financial knowledge. Employees might be aware of how to enter the transactions but not aware of how their entries will impact cash summaries, margins, or period comparisons. Reporters can report to owners without knowing how to tell the difference between accounting profit and operating cash generation. An effective training programme might thus include system use, interpretation of report and decision exercise (Athia *et al.*, 2023). The current analysis fails to determine that there is a training effect and profile categories cannot justify that. These suggestions are based on the mechanism suggested by the framework and have to be assessed by the independent collection of evidences.

Limitations and Future Research

The key weakness is that a synthetic source of the provided practice data is used. Its archives cannot build the experiences of real Bangladeshi businesses. Characteristics of an illustrative analysis are category frequencies, supported hypotheses and prediction statistics (Fazlur Rahman Rahawarin *et al.*, 2023). Numerical coherence of the workbook makes no difference to that status. An empirical investigation into the future must maintain clear data provenance and record recruitment, dates in the field, eligibility checks, response rates, and exclusion decisions. Such conditions are required to substantively infer and cannot be substituted by favourable reliability statistics or model significance statistics.

The cross-sectional framework also limits temporal interpretation. One may impact another in accounting practices and quality of the reports, decisions and perceived performance. Successful businesses might have resources that could be used to fortify their systems and competent management can enhance all constructs at the same time. The contemporary measurements cannot

differentiate these explanations using sequential mediation. A longitudinal design might assess the quality of practices and reporting prior to the outcomes of decisions and its performance afterwards. Causal interpretation at that point would still need to be concerned with confounding effects, the effect of selection and the timing of changes as opposed to solely following directional arrows.

The outcome is perceived financial performance change. The respondents might not have similar information over time or may have varying meaning of revenue, profit and investment returns. Real financial performance would reinforce validation, but comparability across sectors of an enterprise would need to be carefully defined. Future studies may integrate perceptions and approved sales/profit margin, cash generation, and investment measures (J. Gao *et al.*, 2023). The confidentiality processes would be most crucial since enterprise financial data can be trade sensitive. Clear and explicit consent and an elaborate procedure of secure data and aggregate reporting should obtain objective data.

The reflective performance specification is subjected to additional questioning as well. Growth in revenues, growth in margin and greater cash generation do not have to move concurrently. Their consistency in the practice database might not be true in actual business. Field validation ought to determine that a given reflective factor is still suitable or whether performance dimensions must be specification different. The same care should be taken on the scope of digital accounting practices. The existing items are focused on routine use but not on integration, security, audit trail, system down time or the level of sophistication of management reporting (Rahmayanti & Rahmawati, 2020).

The model used is not reported controlling enterprise characteristics or differences in test groups. Both perceptions of digital practices and performance may be influenced by size, sector, age, location, education, and accounting experience. Theoretically justified controls and test measurement equivalence should be outlined in the future analysis and then the groups compared (Pan & Lee, 2020). The only criterion of eligibility also restricts the study to differences between enterprises that have already adopted digital tools. Researching the very phenomenon of adoption would entail a more expansive structure that would incorporate non users and be aware of the conditions that shape the initial adoption.

Lastly, prediction ought to be tested on independent field data. Cross validation using many cross validations in a single synthetic dataset gives scanty evidence of generalisation. External samples might determine the usefulness of the model in other sectors, regions and other reporting periods. Manual comparisons on a benchmark must have the same sets of information and open training processes (Akadiati *et al.*, 2022). Attention should be paid to the uncertainty in prediction and the magnitude of any practical improvements in addition to the statistical relevance. Such an effort would dictate whether the framework is used more as an explanatory research paradigm or can be used to deliver strong enterprise level predictions.

CONCLUSION

It creates and demonstrates a framework of linking digital accounting practices to the perception of SME financial performance in terms of reporting quality and effectiveness of financial decision making. The provided practice analysis helps to support six positive direct relations and one positive sequential indirect relation. Reporting quality is most directly linked to digital accounting, whereas decision effectiveness is a positive aspect to the performance equation. The presence of direct and indirect paths implies that the framework proposed may be used to represent multiple complementary channels instead of just a single mechanism. These interpretations are limited to the synthetic data set pointed out in the source workbook.

The explained performance variance is 28.4 percent; majority of the direct effect sizes are low and predictive increases over the linear benchmark are narrow. The model thus offers a consistent analytical illustration that is limited. It is founded on the thesis that accounting technology transforms into organisational utility as a result of a faithful flow of data and proper financial intervention. To prove that proposition empirically, it is necessary to have proven field observations, explicit sampling, relevant measurement validation, and more credible results about the time sequence and objective financial performance. The current paper provides the theoretical and methodological base of the latter research.

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