

Sustainability Accounting and Governance in MSMEs: A Qualitative Study in Banten, Indonesia

Sri Lestari

Universitas Insan Pembangunan Indonesia, Indonesia

*Corresponding author: srilestari987@gmail.com

Abstract - Micro, small, and medium enterprises (MSMEs) play a strategic role in economic and social development in Indonesia; however, sustainability accounting and governance practices within this sector remain insufficiently understood from a contextual perspective. This study aims to explore how MSMEs in Banten Province conceptualize and integrate sustainability accounting and governance in their daily operations. A qualitative interpretive case study approach was employed, using in-depth interviews, observations, and document analysis involving MSME owners and managers. The findings reveal that sustainability accounting is practiced informally and pragmatically, focusing on business continuity, social relationships, and ethical responsibility rather than formal sustainability reporting. Governance practices are relational and value-based, supported by trust, family involvement, and local wisdom. The novelty of this study lies in framing sustainability accounting and governance as integrated, socially embedded practices that reflect the lived realities of MSMEs in a developing economy. The findings reveal that sustainability accounting is practiced informally and pragmatically, emphasizing business continuity, social relationships, and ethical responsibility rather than formal sustainability reporting. Governance practices are relational and value-based, grounded in trust, family involvement, and local wisdom. Theoretically, this study extends sustainability accounting and governance literature by challenging corporate-centric assumptions and demonstrating how sustainability is socially constructed and embedded in everyday practices of MSMEs in developing economies. Practically, the findings offer insights for policymakers and development agencies to design context-sensitive sustainability frameworks and capacity-building programs aligned with MSMEs' lived realities rather than imposing rigid reporting requirements.

Keywords: Sustainability accounting; Governance; MSMEs; Qualitative study; Indonesia

Abstrak - sosial di Indonesia, namun praktik akuntansi keberlanjutan dan tata kelola pada sektor ini masih belum banyak dipahami secara kontekstual. Penelitian ini bertujuan untuk mengeksplorasi bagaimana UMKM di Provinsi Banten memahami dan mengintegrasikan akuntansi keberlanjutan dan tata kelola dalam praktik operasional sehari-hari. Penelitian ini menggunakan pendekatan kualitatif dengan desain studi kasus interpretatif melalui wawancara mendalam, observasi, dan analisis dokumen terhadap pemilik dan pengelola UMKM. Hasil penelitian menunjukkan bahwa akuntansi keberlanjutan pada UMKM dijalankan secara informal dan pragmatis, berorientasi pada keberlanjutan usaha, relasi sosial, dan tanggung jawab etis, bukan pada pelaporan formal. Tata kelola usaha bersifat relasional dan berbasis nilai, ditopang oleh kepercayaan, keterlibatan keluarga, dan kearifan lokal. Kebaruan penelitian ini terletak pada pemaknaan akuntansi keberlanjutan dan tata kelola sebagai praktik kontekstual yang terintegrasi dalam kehidupan bisnis UMKM di negara berkembang. Temuan penelitian menunjukkan bahwa akuntansi keberlanjutan diterapkan secara informal dan pragmatis, dengan penekanan pada kelangsungan bisnis, hubungan sosial, dan tanggung jawab etis, daripada pelaporan keberlanjutan formal. Praktik tata kelola bersifat relasional dan berbasis nilai, didasarkan pada kepercayaan, keterlibatan keluarga, dan kebijaksanaan lokal. Secara teoritis, penelitian ini memperluas literatur akuntansi dan tata kelola keberlanjutan dengan menantang asumsi yang berpusat pada korporasi dan menunjukkan bagaimana keberlanjutan dibangun secara sosial dan tertanam dalam praktik sehari-hari UMKM di ekonomi berkembang. Secara praktis, temuan ini memberikan wawasan bagi pembuat kebijakan dan lembaga pengembangan untuk merancang kerangka kerja keberlanjutan yang sensitif terhadap konteks dan program pengembangan kapasitas yang selaras dengan realitas nyata UMKM, daripada memaksakan persyaratan pelaporan yang kaku.

Kata kunci: Akuntansi keberlanjutan; Tata kelola; UMKM; Studi kualitatif; Indonesia



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INTRODUCTION

Micro, small, and medium enterprises (MSMEs) are crucial to economic development, especially in Indonesia, where they represent a significant portion of the economy, contributing to both gross domestic product (GDP) and employment. The role of MSMEs extends beyond mere economic metrics; they are also deeply ingrained in local cultures and have a profound impact on social relations and ethical business practices within communities. In regions like Banten, where modern industries coexist with traditional businesses, MSMEs often navigate a complex landscape influenced by both global economic pressures and local cultural dynamics.

The necessity for sustainable practices has surged in recent years, driving a shift towards sustainability accounting and governance that emphasizes transparency and accountability. Such frameworks aim for long-term value creation across economic, environmental, and social dimensions and are often linked to international initiatives like the Sustainable Development Goals (SDGs) and Environmental, Social, and Governance (ESG) frameworks. However, most sustainability accounting research has focused on large corporations and formal organizations, which leaves MSMEs and their unique challenges underrepresented and misunderstood. As Kassem and Trenz note, MSMEs often lack the same resources and formal systems as larger companies, leading to a skewed perception of their sustainability capacities (Kassem & Trenz, 2020). This gap is especially critical in developing regions where MSMEs grapple with resource constraints and socio-cultural pressures.

Recent scholarship underscores the need for contextually sensitive approaches in understanding sustainability practices. Research by Chong et al. highlights how MSMEs, constrained by infrastructure and financial limitations, may adopt different sustainability practices compared to larger firms, reflecting their unique circumstances (Chong et al., 2024). These observations unveil the necessity for qualitative studies to explore how MSMEs interpret and practice sustainability accounting and governance, particularly in Indonesia, where institutional fragmentation complicates regulatory compliance and access to accounting expertise.

This investigation aims to explore the practices and perceptions surrounding sustainability accounting in MSMEs in Banten, Indonesia. By employing a qualitative approach, the study seeks to illuminate the nuanced ways in which MSMEs understand sustainability, thereby offering insights that challenge the conventional frameworks often applied to larger corporations. The overarching research question guiding this study is: How do MSMEs in Banten conceptualize and integrate sustainability accounting and governance within their operations?

The Role of Context in Sustainability Practices

Understanding the context in which MSMEs operate is paramount to grasping their sustainability practices. Faizi and Yudhistira emphasize that the unique environments in which MSMEs operate, including cultural, economic, and regulatory factors, shape their business practices significantly (Faizi & Yudhistira, 2023). In Banten, these environmental characteristics require MSMEs to innovate and adapt sustainably while enacting their governance frameworks informally and relationally rather than through structured bureaucratic mechanisms.

Ayu et al. illuminate the importance of creating supportive ecosystems for MSMEs in formulating sustainable strategies. Their research emphasizes that both macro-environmental factors and internal capabilities significantly influence the operational strategies of these enterprises (Ayu et al., 2023). Similarly, Nurhayati et al. highlight that while formal structures may not directly drive sustainability practices, the internal capabilities of MSMEs play a critical role in their innovation and adaptation (Nurhayati et al., 2021).

Moreover, integrating sustainability into accounting practices requires an understanding of (Aryanti et al., 2025; Putri et al., 2025; Sudiyono et al., 2024) specific local conditions, including social norms and community expectations. Koe et al. argue that the effective adoption of sustainable practices hinges on the commitment and shared visions among the owners and employees of MSMEs, where a culture of sustainability can converge with operational strategies (Koe et al., 2024). This relational governance framework is complemented by Alam et al.'s study, which indicates that regional practices, such as Zakat payments in Indonesia, relate to sustainability ethos among MSMEs (Alam et al., 2022).

Challenges and Opportunities

Despite the potential for MSMEs to contribute positively to sustainable practices, significant barriers exist. Research indicates that financial constraints and limited access to professional advice often impede the adoption of sustainability accounting practices (Şahin et al., 2022). Moreover, the

ongoing impacts of the COVID-19 pandemic exacerbated these challenges, pushing many MSMEs to prioritize short-term survival over long-term sustainable practices (Tairas, 2020).

However, there are notable opportunities for MSMEs to leverage their community connections and innovate sustainable practices. Studies indicate that customer preferences for environmentally friendly products are increasingly influential in shaping MSME behaviors (Koe et al., 2024). This shift in consumer demand provides a pathway for MSMEs to align their operations with sustainable practices, not just as compliance measures but as essential components of their business models.

Moreover, innovations in digital practices can offer MSMEs the tools to better engage in sustainability governance. As highlighted by Zuhri et al., technology adoption can enhance operational efficiencies and improve ESG disclosures, which are becoming critical requirements for accessing financing (Zuhri et al., 2024). Digital transformations hold the promise of enabling MSMEs to better align their business strategies with sustainability goals across both local and global supply chains.

This qualitative study aims to explore how MSMEs in Banten, Indonesia, understand and implement sustainability accounting and governance within their operations. By highlighting the contextual realities that shape these practices, the research seeks to move beyond conventional assessments based on corporate benchmarks. The potential of MSMEs as catalysts for sustainability must be recognized, supported by frameworks that acknowledge their unique challenges and opportunities. This approach not only enriches the literature on sustainability in MSMEs but also contributes to broader efforts towards sustainable development in Indonesia.

Literature Review and Theoretical Context

Sustainability Accounting

Sustainability accounting reflects a shift from traditional accounting practices, emphasizing the assessment of organizational performance through environmental, social, and economic dimensions rather than solely financial metrics. This approach is rooted in sustainability and corporate social responsibility discourses, prioritizing enhanced transparency, accountability, and decision-making in alignment with sustainable development goals Tjahjadi et al. (2024). Early frameworks in sustainability accounting highlighted standardized indicators and formal disclosures, largely driven by increased stakeholder expectations and regulatory requirements (Purwoko et al., 2023).

The institutionalization of sustainability accounting has evolved via various global reporting frameworks, including integrated reporting and Environmental, Social, and Governance (ESG) disclosures. These methodologies aim to improve documentation and measurement precision, aligning with international standards like the Global Reporting Initiative (GRI) (Astuti et al., 2023). However, the emphasis on formalization often presupposes organizational capacities that many Micro, Small, and Medium Enterprises (MSMEs) lack (Anis, 2023). This has led to a perception in the literature that MSMEs may fall short in performance or compliance regarding sustainability metrics (Lestari et al., 2021).

Recent scholarship critiques this normative perspective, suggesting that sustainability accounting should be understood as a social construct shaped by contextual factors, power dynamics, and cultural norms. This view advocates for recognizing the diverse manifestations of sustainability accounting in various organizational forms and socio-economic environments, particularly in developing regions where informal and relational business practices prevail (Nuha et al., 2025).

Empirical studies on MSMEs indicate that sustainability accounting is often practiced through informal mechanisms rather than extensive formal reporting. MSMEs integrate sustainability into regular financial decision-making—focusing on cost management, waste reduction, employee welfare, and long-term customer relations. While these practices may remain largely undocumented, they play a critical role in ensuring business continuity and securing social legitimacy within local contexts (Supriyati et al., 2022). This nuanced understanding underlines our study's contextual and interpretative approach to examining how sustainability accounting is utilized by MSMEs in Banten, Indonesia.

Governance in MSMEs

Governance literature often defines governance as a structured set of mechanisms and processes that align managerial actions with stakeholder interests. Common formal governance processes include boards of directors, regulatory compliance measures, and transparent reporting systems—components designed to mitigate agency problems and enhance accountability. However, these frameworks are predominantly grounded in research on larger corporations and may not accurately reflect governance dynamics in MSMEs (Hendrawan et al., 2023).

In MSMEs, governance tends to be informal, centralized, and highly personalized. Decision-making is typically concentrated with owner-managers who undertake multiple roles encompassing

strategic, operational, and financial functions. High family involvement results in governance structures influenced by kinship ties, long-standing relationships, and trust, framing governance within a relational rather than a bureaucratic context (Mofijur et al., 2021). Despite their informal nature, MSME governance can yield high levels of commitment, flexibility, and ethical accountability, where interpersonal trust often replaces formal contracts (Purwoko et al., 2023).

Conventional research frequently overlooks the effectiveness of these informal governance structures by applying corporate governance benchmarks that prioritize formalization—a mischaracterization that risks defining MSMEs as governance deficient (Anis, 2023). Qualitative studies indicate that the efficacy of governance in MSMEs should instead be assessed in relation to context-specific objectives, resource constraints, and cultural norms (Astuti et al., 2023). Our study aims to conceptualize governance in MSMEs as a socially embedded and values-driven process, reflecting ethical commitments and relational accountability; this will support the analysis of governance practices among MSMEs in Banten, Indonesia.

Sustainability Accounting and Governance: A Contextual and Integrative Perspective

The relationship between sustainability accounting and governance has been extensively studied in corporate contexts, where formal governance structures are believed to facilitate robust sustainability accounting practices (Reniaty & Faisal, 2024). In such settings, governance mechanisms are designed to ensure adherence to sustainability reporting standards and oversee overall performance. Nonetheless, this linear relationship does not account for the complexities found in MSMEs, where sustainability accounting and governance are intricately woven into everyday business operations rather than being treated as isolated functions (Siregar & Pinagara, 2022).

In MSMEs, owner-managers often blend financial decisions, ethical considerations, and governance judgments, leading to a comprehensive integration of sustainability within their business operations. This fusion blurs the distinctions between accounting, governance, and strategic decision-making, positioning sustainability efforts as integral to daily practice rather than as separate formal systems (Prasetyo & Ellitan, 2023).

A contextual perspective recognizes that sustainability accounting and governance in MSMEs are influenced by various factors, including institutional environments, cultural values, and resource availability. MSMEs frequently develop adaptive operational strategies that align their sustainability objectives with survival imperatives amidst regulatory inconsistencies and limited access to expert accounting practices (Istianingsih, 2020). This integrative view challenges prevailing sustainability theories linking effectiveness to formalization, suggesting that effective and legitimate sustainability practices can arise from informal and relational frameworks, even in the absence of standardized reporting mechanisms (Nuha et al., 2025).

Accordingly, this study adopts an interpretive and context-sensitive theoretical approach, framing sustainability accounting and governance as socially constructed practices embedded within the daily realities of MSMEs. By examining these practices in Banten, Indonesia, the study aims to contribute to the sustainability literature and underscore the significance of developing inclusive frameworks for diverse organizational types across different developmental contexts.

RESEARCH METHOD

Research Design and Approach

This study adopts a qualitative research design with an interpretive orientation to investigate sustainability accounting and governance as socially constructed practices within micro, small, and medium enterprises (MSMEs). A qualitative approach is suitable due to the complex nature of the phenomenon being studied, where meanings, values, and lived experiences play a significant role and cannot be fully captured through quantitative methods or standardized measurements. The aim here is to achieve a depth of understanding that goes beyond mere statistical generalization Chong et al. (2024).

The research utilizes an interpretive case study method, which is specifically advantageous for an in-depth exploration of sustainability practices within their real-life organizational and socio-cultural contexts. This design aligns with the study's focus on understanding how and why MSMEs incorporate sustainability into their operations. The integration of sustainability accounting and governance within everyday business practices allows for an intricate examination of these phenomena as they manifest in the dynamic environments faced by MSMEs (Koe et al., 2024). Through this inductive inquiry, the study endeavors to identify empirical patterns and meanings from the collected data, ultimately contributing to theory refinement and fostering contextualized understanding (Agustina & Sudiby, 2024).

Research Context and Location

The study is framed within Banten Province, Indonesia, a region known for its diverse MSME ecosystem that spans manufacturing, trade, and services. Banten's proximity to major industrial zones creates a unique landscape providing both opportunities and challenges for MSMEs concerning competition, regulatory expectations, and sustainability practices (Maksum et al., 2020). This context enriches the empirical foundation for analyzing different sustainability approaches and governance structures present among MSMEs operating at various levels of formality and sophistication.

Given the varied landscape of enterprises within this region—ranging from micro-family-run businesses to small and medium enterprises equipped with basic accounting systems—there is a significant opportunity to investigate how sustainability accounting and governance adapt across different organizational scales and maturity levels. The selected context not only mirrors the characteristics of MSMEs prevalent in developing economies but also underscores the study's relevance by capturing the negotiation of sustainability amid structural constraints and economic dynamism (Karsana et al., 2022).

Participants and Sampling Strategy

The participant cohort comprised 18 MSME owners and managers from Banten Province, selected through purposive sampling to ensure engagement with those possessing relevant experience in financial decision-making and governance practices. Criteria mandated that participants were actively involved in day-to-day operations and were integral to the strategic and financial decision-making processes of their businesses. To ensure a level of maturity in their reflective insights regarding sustainability practices, participants were required to have operated their enterprises for at least three years (Yuliati & Huda, 2025).

This sample features a range of enterprise sizes and sectors, enabling a nuanced examination of sustainability accounting and governance across varying operational landscapes. To maintain confidentiality, pseudonyms (P1–P18) were assigned to each participant, which will be consistently used throughout the subsequent presentation of findings. Data collection persisted until theoretical saturation was attained, defined as the point where additional interviews no longer yielded new substantive themes or insights, thereby underscoring the qualitative emphasis on depth and richness over mere statistical consideration (Saifurrahman & Kassim, 2023).

Data Collection Techniques and Research Instruments

A multi-faceted approach to data collection facilitated a broad and deep understanding of the research subject. The primary method employed was semi-structured in-depth interviews with MSME owners and managers. This format was selected to allow participants the latitude to express their experiences, interpretations, and decision-making processes regarding sustainability in their unique contexts. The flexibility of the interview protocol encouraged conversational depth while still addressing central themes (Purnomo et al., 2024). Example questions included inquiries about participants' understandings of sustainability, the role of financial records in decision-making, and the impacts of social responsibilities on their operational strategies.

In addition to interviews, non-participant observations provided contextual insights concerning daily operational routines and governance processes. This observational method enabled a more profound exploration of how sustainability accounting and governance are practically enacted beyond verbal narratives and emphasized real-world interactions among owners, employees, and financial practices (Aji et al., 2023).

To further bolster the credibility of the findings, document analysis was utilized. While formal sustainability reports were generally absent, other pertinent documents—such as bookkeeping records and internal notes—were analyzed to understand how accounting practices inform business continuity and ethical decision-making. The combination of interviews, observations, and document reviews provided a triangulated foundation of empirical evidence, enhancing the study's validity (Aswar et al., 2023).

Data Analysis Procedures

Data analysis was conducted using a thematic approach, which allowed for systematic interpretation of qualitative data. This began with transcribing interview recordings and collating them with observations and document summaries. The analysis initiated through open coding, allowing for the identification of key concepts, themes, and practices related to sustainability, accounting, and governance (Hurriyati et al., 2023). These codes were subsequently organized into broader categories

via axial coding, focusing on interrelations among sustainability understanding, accounting practices, and governance mechanisms. This framework permitted the identification of patterns across cases while preserving contextual depth (Koe et al., 2024).

The final analytical phase involved an interpretive synthesis where themes were examined against existing literature and theoretical frameworks. This iterative process ensured a comprehensive engagement with the data and contributed to the development of relevant, context-sensitive insights that expand current understandings of sustainability accounting and governance within MSMEs (Febrian, 2024).

Trustworthiness and Ethical Considerations

To assure the study's trustworthiness, various strategies were implemented, targeting credibility, dependability, and confirmability. Data triangulation among in-depth interviews, observations, and document analysis enabled cross-validation of findings across diverse evidence sources. Additionally, member checking was employed, where preliminary interpretations were discussed with select participants to validate the accuracy and relevance of the findings in relation to their experiences (Agustina & Sudibyo, 2024).

Researcher reflexivity was actively maintained throughout the research process to reduce bias in data interpretation. The researcher documented key decisions and analytical processes through reflective field notes and maintained an audit trail, establishing transparency between the raw data and the resulting analyses (Andarini et al., 2023).

Ethically, the study adhered to established qualitative research standards. All participants provided informed consent to participate and were assured of the voluntary nature of their involvement. To protect anonymity and confidentiality, no identifying information was disclosed, and all participants were consistently referred to using pseudonyms in transcripts and reporting. Data were securely stored and utilized solely for academic research purposes to ensure ethical integrity (Khakim & Firmansyah, 2023).

RESULTS AND DISCUSSION

MSMEs' Understanding of Sustainability

The following sections present the empirical findings and their analytical interpretation by integrating participants' narratives with relevant theoretical perspectives. Rather than separating results and discussion rigidly, this study adopts an interpretive approach in which empirical insights and conceptual analysis are interwoven to reflect the socially embedded nature of sustainability accounting and governance in MSMEs. The findings reveal that MSME actors in Banten conceptualize sustainability as primarily concerned with long-term business continuity rather than adherence to formal environmental or social standards. For these enterprises, sustainability is framed in pragmatic terms such as "being able to survive," "remaining trusted by customers," and "keeping employees working." This pragmatic orientation is largely influenced by economic uncertainties and resource limitations faced by MSMEs, suggesting that their understanding of sustainability is operationally motivated (Chong et al., 2024).

Participants emphasized that maintaining positive relationships with key stakeholders—including employees, suppliers, and the local community—is vital for business survival. Ethical conduct, integrity in transactions, and fulfilling social obligations were consistently identified as foundational elements of sustainable practices. While environmental concerns such as waste reduction and efficient resource use were acknowledged, they were largely seen through the lens of cost efficiency and operational stability rather than as distinct sustainability initiatives (Durrani et al., 2024; Koe et al., 2024).

This localized understanding of sustainability offers a stark contrast to prevailing global discourses that often emphasize formal reporting and standardized metrics. Instead, the findings imply that sustainability for MSMEs is both relevant and meaningful, as it reflects their daily practices and socio-cultural contexts (Manalu et al., 2025; Napitupulu et al., 2024; Nugroho et al., 2024). This perspective aligns with theories asserting that sustainability does not necessitate overt labeling or formal structures to possess significance; rather, it emerges organically from contextual values, organizational dynamics, and survival imperatives (Ahmad & Alsuhaibany, 2025).

Sustainability Accounting Practices in MSMEs

Sustainability accounting practices within MSMEs in Banten are largely informal and closely tied to basic financial management rather than formalized reporting systems. Participants indicated that

they rely on simple accounting records to manage cash flow, monitor expenses, and evaluate business viability. Such records serve more as pragmatic tools for daily decision-making than as instruments intended for external accountability or sustainability disclosures (Sancono & Kertati, 2023)Astuti et al., 2023).

Social and environmental dimensions are embedded within financial practices, revealing an implicit recognition of sustainability. For instance, expenditures for employee welfare, equitable pricing, or waste reduction are viewed primarily as necessary costs associated with maintaining operations rather than as deliberate sustainability investments. This reflection denotes an accounting practice that harmonizes financial pressures with long-term ethical commitments, emphasizing the importance of relational stability and customer loyalty (Durrani et al., 2024; Koe et al., 2024).

The absence of structured sustainability accounting frameworks does not suggest the lack of sustainability-oriented thinking. Instead, sustainability accounting functions as a flexible practice where financial prudence, ethical judgments, and social responsibilities coalesce. This insight challenges mainstream sustainability accounting models—typically anchored in formalization and standardization—by suggesting that informal, practice-based arrangements are legitimate and crucial for sustainability engagement in MSMEs (Majid et al., 2022).

Governance Mechanisms in MSMEs

Governance structures within MSMEs are predominantly characterized by centralized authority and personalized leadership dynamics. Owner-managers typically bear comprehensive responsibilities for their enterprises' strategic, operational, and financial decisions, which results in governance mechanisms deeply intertwined with personal values and ethical frameworks. Formal governance elements—like boards or codified policies—are notably absent (Ahmad & Alsuhaibany, 2025)Mahmood & Seth, 2023).

Despite the informality of governance in MSMEs, the practices are not arbitrary. Accountability is maintained through trust-based relationships, moral responsibilities, and social reputation. Participants highlighted the significance of fairness, transparency, and reliability in daily interactions, with relational mechanisms serving as effective substitutes for formal oversight and regulation (Sancono & Kertati, 2023).

Family involvement often reinforced these governance dynamics, enhancing shared values and long-term commitment to their businesses while allowing for nimble responses to uncertain market conditions (Das & Rangarajan, 2020).

These findings challenge established theories of corporate governance that link effective governance directly with formal mechanisms and role separation. Instead, they reinforce alternative perspectives that underscore the importance of relational, ethical, and culturally relevant forms of governance accountability in MSMEs (Susanty et al., 2024; Rahmidani et al., 2023). The effectiveness of governance in these contexts should be evaluated based on relevance to specific circumstances rather than by any absolute corporate standard.

Integration of Sustainability Accounting and Governance

The integration of sustainability accounting and governance within MSMEs manifests organically through everyday practices rather than via structured systems. Financial decisions are inherently linked to governance judgments, as owner-managers consider economic viability, ethical implications, and relational impact simultaneously. For instance, decisions regarding pricing, cost management, or employee relations often reflect an intersection of financial rationale and governance values Chong et al., 2024)Koe et al., 2024).

Participants described prioritizing employee retention during challenging periods—sometimes at the cost of short-term profitability—as a moral obligation, demonstrating a commitment to sustainability. Accounting data provide clarity on financial limitations while governance principles guide ethical choices. This integration reflects a holistic understanding of how MSMEs pursue sustainability, revealing that accounting and governance are not separate domains but interconnected processes informed by personal responsibility and communal embeddedness (Durrani et al., 2024; Koe et al., 2024).

These findings highlight that integration can arise from informal, value-driven practices rather than mandated by formal organizational structures. Thus, sustainability accounting and governance in MSMEs should be viewed as mutually reinforcing elements embedded in the routine operations and lived realities of business owners, particularly in environments where institutional support may be lacking (Ahmad & Alsuhaibany, 2025).

Theoretical and Practical Implications

This study's findings yield several significant theoretical implications. First, they extend the literature on sustainability accounting by demonstrating that meaningful sustainability practices can exist outside the frameworks of formal reporting and accountability systems. Informal, practice-oriented accounting arrangements play a critical role in bridging economic, social, and ethical considerations within MSMEs (Susanty et al., 2024; Chong et al., 2024).

Second, the research contributes to governance theory by underscoring the effectiveness of relational and ethical governance mechanisms that challenge corporate-centric governance assumptions. The emphasis on contextualized governance perspectives reflects a need to adapt governance concepts to fit various organizational scales and cultural settings (Durrani et al., 2024; Mahmood & Seth, 2023).

From a practical standpoint, this study suggests that policymakers should refrain from imposing rigid sustainability reporting requirements on MSMEs. Instead, capacity-building initiatives should focus on improving financial literacy, ethical awareness, and the provision of simple sustainability-oriented accounting tools that align with existing practices within these enterprises (Adami, 2025).

Finally, the findings emphasize the need for inclusive sustainability frameworks that acknowledge diversity in organizational forms and developmental contexts. By recognizing the lived realities of MSMEs, researchers, practitioners, and policymakers can better facilitate effective and equitable sustainability transitions in developing economies like Indonesia (Majid et al., 2022).

CONCLUSION

This study demonstrates that sustainability accounting and governance in MSMEs operate through informal, adaptive, and value-based mechanisms. MSME actors in Banten integrate sustainability considerations into everyday financial and governance practices, emphasizing continuity, trust, and ethical responsibility. These practices challenge dominant corporate-centric sustainability frameworks and highlight the importance of context-sensitive approaches.

The study contributes empirically and theoretically to sustainability accounting literature by extending its scope to MSMEs in developing economies. Policymakers and development agencies are encouraged to design sustainability initiatives that recognize MSMEs' lived realities and leverage their existing ethical and relational strengths. Future research may explore comparative contexts or longitudinal changes in sustainability practices among MSMEs.

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