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The Effectiveness of the Msme Internal Control System is Broken Down Into: Purpose, Commitment, Capability, and Monitoring & Learning

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Abstract

This study aims to identify the Internal Control System (ISC) based on COCO and Business Continuity in Micro, Small, and Medium Enterprises (MSMEs). The population of this study was creative industry MSMEs in Semarang City. A purposive sampling technique was used to select 120 samples, each with an age of more than one year. This study used a Google form distributed to selected creative industry owners. This study employed qualitative and quantitative methods with a descriptive approach to internal control based on COCO. Data were processed through descriptive statistical tests and SPSS. This study can identify purpose, commitment, capability, and Monitoring and Learning as having a significant and indirect influence on Accounting through Going Concern. Going Concern functions as a significant mediating variable in the relationship between Purpose, Commitment, Capability, and Monitoring and Learning on Accounting. This research empirically proves that internal control systems support the sustainability of MSME businesses. Accounting practices also significantly influence MSME business continuity.

KEYWORDS

MSMEs; internal control; going concern; efficiency.

Introduction

Despite Indonesia's financial crisis, MSMEs have shown themselves to be resilient. Due to their reliance on exports, MSMEs were able to endure the demise of medium-sized enterprises because to their distinctiveness and locally produced goods. The resilience of Micro, Small, and Medium Enterprises (MSMEs) in facing the most phenomenal and historic crisis occurred during the monetary crisis of 1997-1998, and this phenomenon was again proven during the global financial crisis in 2008 (Purba & others, 2021).

MSMEs, particularly EMKM, have demonstrated their capacity to advance and expand in this way. It is important that researchers focus on this factor. MSMEs play a significant role in the Indonesian economy, according to Divianto & Febriyanty (2017). Even the Indonesian economy has benefited from MSMEs, as seen by the country's GDP rising from 57.84 percent to 60.34 percent during the previous five years in 2016. MSMEs make up 96.99% of all business actors in Indonesia, and their number is rising to 99.99%.The number of MSMEs in Indonesia is increasing, reaching 99.99% of the total national business actors, and MSMEs contribute to 96.99% of employment opportunities (beritasatu.com, 2015).

However, for the going concern of MSMEs, this policy presents a dilemma. Spending cuts have the potential to reduce local economic activity and trigger the need to reallocate support budgets to the business sector. Meanwhile, data from the Central Statistics Agency (BPS) in November 2024 shows that economic growth in the third quarter of 2024 fell to 4.95 percent, lower than 5.17 percent in the previous quarter a (Elvira, n.d.). This indicates a slowdown in economic activity that could affect the achievement of the national growth target. On the other hand, investment (PMTB) only grew 5.15 percent, far from the ideal target of 8 percent needed to maintain the momentum of sustainable economic expansion.

Financing, product and technology innovation, market research, and inefficiency are the four challenges MSMEs confront. The company's internal control, which includes a number of components, is intimately linked to inefficiency. According to Merina & Mentari (2020), internal control refers to the strategies, techniques, protocols, and guidelines created by management to offer sufficient assurance of operational efficacy and efficiency, trustworthy financial reporting, asset security, and adherence to laws, policies, and other regulations.

The purpose of internal control is to ensure that the Company's management can achieve its stated objectives, that the financial reports produced are reliable, and that the activities carried out are in line with applicable laws and regulations. Therefore, internal control plays a very important role for the Company. Effectiveness is highly dependent on the success of the performance between the system and the user. Important factors that can influence effectiveness are expected to have a positive influence that can indicate the level of success of the system in carrying out its functions. Therefore, companies such as MSMEs, which are not yet fully compliant with the principles of PSAK EMKM, must carry out their functions in accordance with accounting procedures. (Finney & Miller, 1959) Moreover, small companies tend to be more likely to commit fraud than large companies (Montgomery, 2003).

Small businesses in Indonesia still tend to ignore the concept and practice of internal control, even though control models specifically for small businesses have existed for a long time (Grollman & Colby, 1978). This model was issued by Stelzer (1964) in an internal control questionnaire, so internal control practices for MSMEs should not be new. Judging from the purpose of the internal control system, namely safeguarding the Company's assets, it can be concluded *that* internal control is very *urgent* for companies to achieve the goal of achieving the highest profit, including MSMEs which are the front guard in national economic resilience.

This study replicates the research of Saadah (2019), which examined the effectiveness of internal control of MSMEs in the city of Bandung. The difference between this study and the previous one is the addition of the "*Going Concern" variable* considering that MSMEs as small companies are vulnerable to business continuity. The novelty of this current study compared to the previous one is the Internal Control System which is broken down into: purpose, commitment, capability, and monitoring & learning which are processed with SEM PLS. There has been no research that discusses the effectiveness of COCO-based internal control, all internal control research conducted by previous researchers was based on COSO, such as control environment, risk assesment, control activities, and information and communication. The COCO (Criteria of Control) framework is highly adaptable to the characteristics of MSMEs due to its flexible, process-oriented nature, and its lack of rigidity compared to traditional frameworks such as COSO. MSMEs have distinctive characteristics such as a flat organizational structure, limited resources, and rapid decision-making (https://repository.stiesultanagung.ac.id/id. COCO (Criteria of Control) captures aspects of human behavior, cultural values, and individual commitment that are often overlooked by COSO. While COSO is more rigid and structured—focusing on compliance and procedural policies—COCO employs a dynamic, employee- and organization-oriented approach. Based on the research that has been done, internal control will run effectively and efficiently if it refers to the points in coco internal control, namely objectives, commitment, capability and supervision and learning (Nani & Sifrid, 2018).

The CoCo control model (Criteria of Control, developed by CICA) is far more adaptable to the characteristics of MSMEs than traditional frameworks like COSO, as it focuses on a principles-based (flexible) approach rather than a rigid, rules-based (bureaucratic) one. This flexibility aligns well with the typically informal nature of MSMEs. In the CoCo framework, the Purpose dimension emphasizes that the vision and mission can be communicated directly and informally. This is particularly well-suited to MSMEs, which feature flat organizational structures, allowing owners to communicate objectives directly to all employees without complex bureaucratic procedures. The CoCo model assesses commitment not based on formal documents, but rather on shared ethical values, trust, and integrity. MSMEs typically have small workforces and a family-like culture, making it far easier for owners to directly foster and monitor this character and commitment. The focus here is on employee competence and the flow of information. Unlike large corporations that require voluminous Standard Operating Procedures (SOPs), MSMEs rely on multitasking employees and rapid communication. CoCo supports an approach based on delegation and rapid innovation—key operational strengths for MSMEs. CoCo enables MSMEs to conduct continuous monitoring through daily or weekly performance evaluations. Lessons learned from mistakes are immediately integrated into work process improvements, aligning with the agile nature of MSMEs in responding to the market.

Methods

Research Type

Quantitative method study: Quantitative data from a survey of 120 MSME managers or owners were analyzed using multiple regression analysis. The questionnaire used a Likert scale consisting of questions on the variables: purpose, commitment, capability, monitoring and learning, and going concern. In-depth interviews were conducted with three managers or owners to gain deeper insight into the company's operational practices and internal controls.

Population and Sample/Informants

The population used in this study is MSMEs in Semarang City. The sampling procedure was non-probability using a purposive sampling method (Sugiyono, 2016). The respondent criteria being MSMEs that have been operating for more than one year and maintained good bookkeeping. The target sample size for this study was 120 MSMEs in Semarang City.

Research Location

The study was conducted in Semarang City, a region known for its cultural diversity and a blend of urban and semi-urban populations. This study explores MSMEs related to the effectiveness of the internal control system and the going concern of MSMEs in the influence of government budget efficiency.

Instrumentation or Tools

Quantitative Research: "This study uses the COCO Control System Effectiveness Scale questionnaire, to measure the influence of accounting and business continuity on the effectiveness of the internal control system. For qualitative research, it can be explained: "An in-depth interview guide was developed to analyze the effectiveness of the internal control system and business continuity in MSMEs in Semarang City. In a mixed method study, it can be stated: "Quantitative data were collected using Google forums, while qualitative data were obtained through semi-structured interviews that were recorded and transcribed verbatim."

Table 1. COCO Internal Control Variables and Indicator

Variables	Indicator
Purpose	Objectives and planning, significant risks, and design policies
Commitmen	Ethical values, management practice policies, authority and responsibility, and an atmosphere of trust
Capability	Knowledge of expertise, communication, relevant information, goals and activities
Monitoring And Learning	Periodic monitoring of internal and external environments, performance, required information, follow-up procedures, and management

Table 2. Going Concern Variables Indicator and

Variables	Indicator
Going Concern	The company has more than 70% of its own capital
	The company has no difficulty in paying its credit
	The company has sufficient resources (employees, facilities, technology).
	The company has been operating for more than one year.
	The company has autonomy (authority) in its own production.
	The company has autonomy (authority) in the sale of its own products.

Table 3. Accounting Variables and Indicator

Variables	Indicator
Accounting	Cash is kept in the bank. Petty cash is periodically audited. Investments, such as the use of a safe deposit box to store valuables.
	Inventory: Periodic physical inventory counts.
	Separation of accounting functions within the company
	Accounts receivable and notes receivable: Regular monthly invoices are sent to customers.
	Accounts payable: Purchase orders are double-checked after payment.
	Sales: Sales are recorded. Fixed assets: This includes safeguarding fixed assets, such as assigning numbers to identify them.

Data Collection Procedures

The data used in this study is primary data collected directly from the research team, namely managers and owners of selected MSMEs in Semarang. Data collection was conducted by sending a Google Form to MSMEs in the creative industry, such as printing, photo studios, handicrafts, and food (Marliyati & Nikmatuniayah, 2016). The Google Form was distributed to respondents from May to June 2025. Responses to the Google Form were awaited for two months. In-depth interviews were conducted by the researchers with appropriate informants. These were three owners of Yesy Florist Tembalang, photo Studio Kita, and Mozza Kichen.

Data Analysis

This study measures internal control variables in MSMEs using the COCO Control System Effectiveness Scale questionnaire, to measure the influence of accounting and business continuity on the effectiveness of the internal control system. Data were processed using descriptive statistical tests and SEM-PLS analysis. The instrument's dimensions consist of the following questions:

The ICOCO control variables and their respective indicators are presented in Table 1. The going concern variables were measured using several indicators related to the company's financial condition, resources, autonomy, and operational capacity, as presented in Table 2. The accounting variables and their corresponding indicators used in this study are presented in Table 3.

Ethical Approval (Optional)

This research has received approval from MSME owners, with the criteria being MSMEs that have been operating for more than one year. Confidentiality is strictly maintained, ensuring participant data is anonymized and stored securely.

Result and Discussion

Based on a sample of 120 samples collected. Respondents were managers or owners of MSMEs with the requirement that they have been operating for more than one year. The selected MSMEs were creative industry MSMEs in the form of: photo studios, printing, crafts, and culinary. The number of 120 respondents was spread across: 65 men and 55 women (see Figure 1).

The largest number of respondents were aged 31-40, at 39.5%. Next, the productive age group of 20-30 was at 31.9%. The largest number of positions were held by owners at 54.36%, followed by Head of Department at 12.9%, and accounting at 10.3% (see Figure 2).

Respondents' educational background was based on their bachelor's degree (37.8%), followed by a diploma (20.2%). Most of the MSME respondents (62.1%) had been operating for more than three years (see Figure 3).

For example, 62.1% of small MSMEs have 6 employees, while 27.6% of medium-sized MSMEs, with 6-19 employees, have assets of at least IDR 200 million. In terms of assets, 59.5% of MSMEs have assets of at least IDR 200 million. MSMEs with assets between IDR 200 million and IDR 500 million accounted for 22.4%, while those with assets between IDR 500 million and IDR 600 million accounted for 6.9%. The remaining 11.2% were MSMEs with assets exceeding IDR 600 million (see Figure 4).

The direct effect test shows the direct influence between latent constructs. The results of the hypothesis testing can be seen in the following table and figure 5.

Direct Effect Test Results

Structural Model Image of *Direct Effect Analysis*

Next, the direct influence test image is accompanied by the following table 4 results.

Purpose (x1) plays a significant role in influencing both dependent variables. The clearer and stronger the objectives of an MSME, the higher the likelihood of its business sustainability. The path coefficient of purpose on going concern is 0.362 with a p-value of 0.000. Purpose also has a positive and significant effect on accounting (Y2) with a coefficient and p-value of 0.000. Thus, these results indicate that MSMEs with clear objectives tend to be more serious in practicing good and accountable accounting.

Although the coefficient is relatively smaller than purpose, Commitment (X2) is proven to contribute significantly to both endogenous variables. The effect of commitment on going concern shows a coefficient of 0.131 with a p-value of 0.022. This means that the increase in commitment from management and related parties has played a role in maintaining business continuity, although not as strong as purpose. Meanwhile, Commitment has a positive and significant effect on accounting. These results indicate that

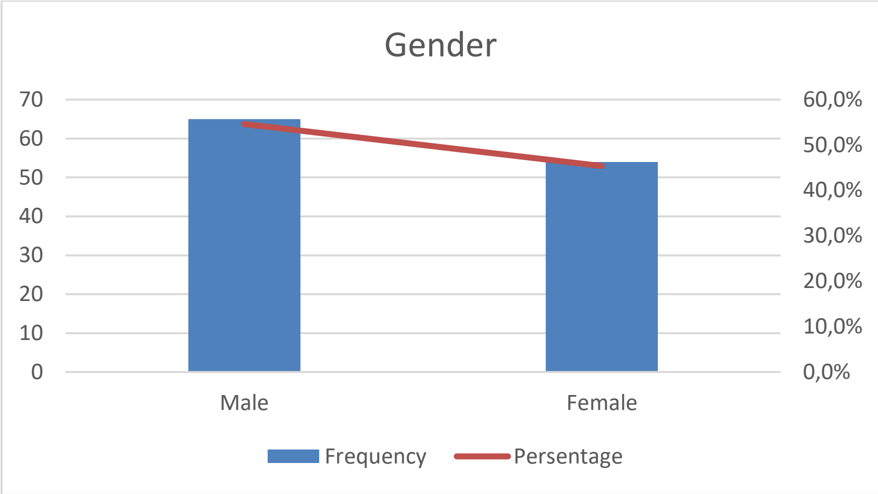

Figure 1. Gender

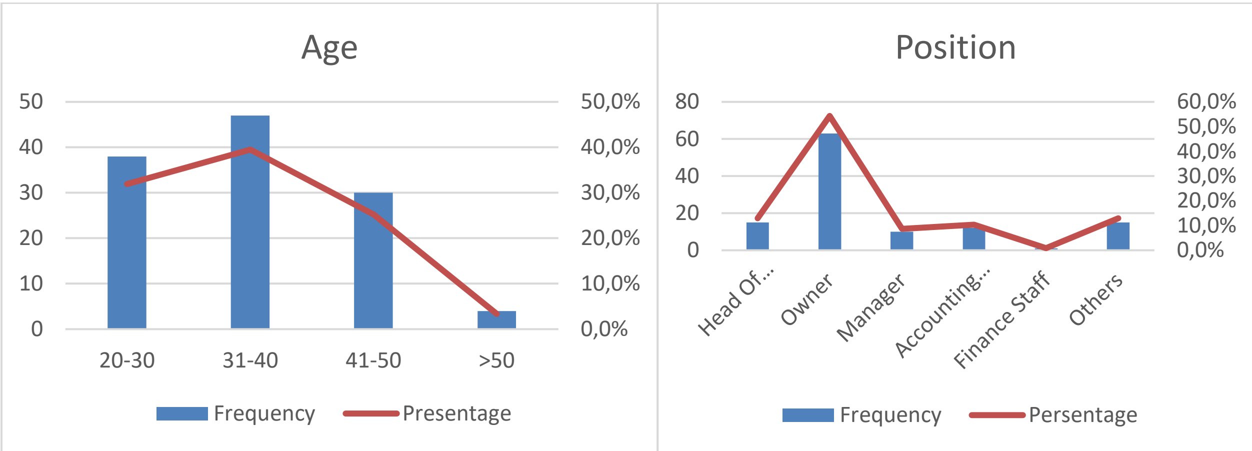

Figure 2. Age and position

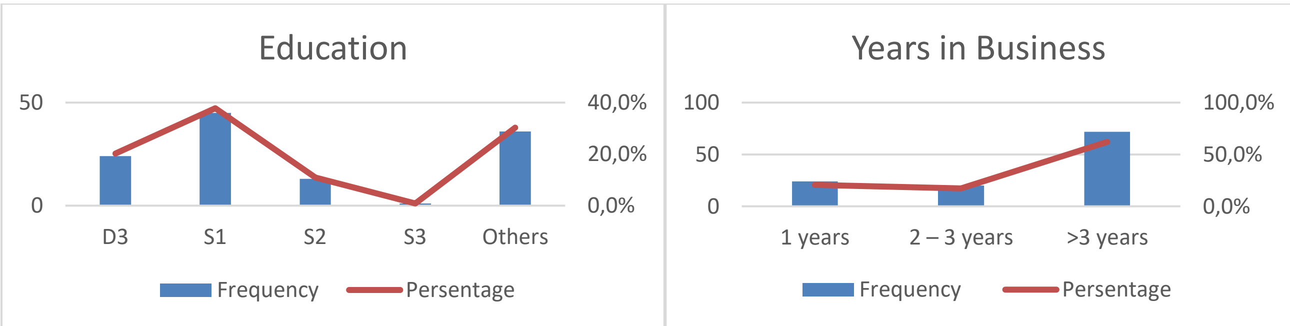

Figure 3. Education and Business

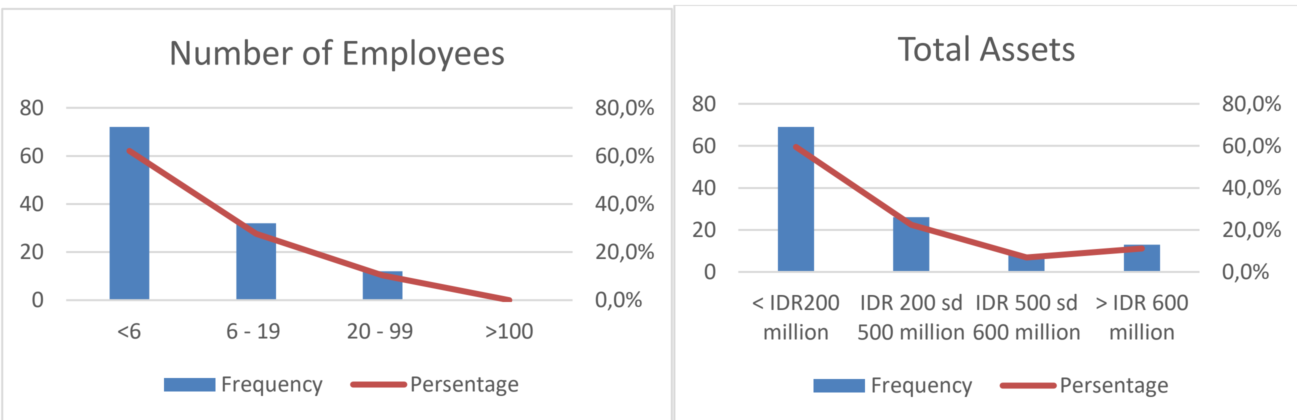

Figure 4. Employees and Assets

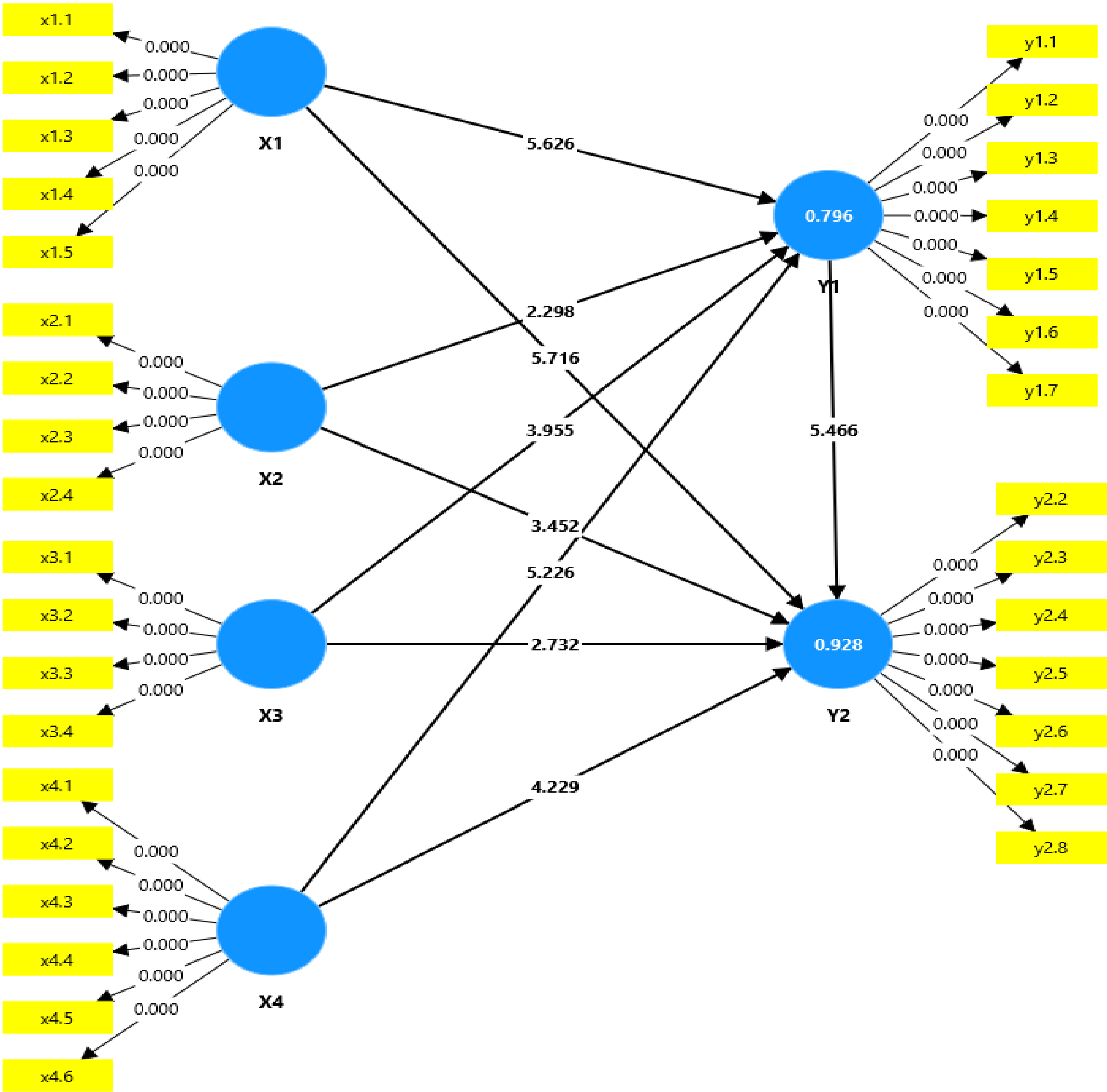

Figure 5. Direct Effect Test Results

high commitment supports the implementation of orderly, consistent, and standard-compliant accounting practices (Hery, 2016).

Furthermore, Capability (X3) also shows a significant positive influence on both Going Concern and Accounting. The path coefficient from Capability to Going Concern is 0.214 with a p-value of 0.000, indicating that organizational capabilities—both in terms of human resources, systems, and managerial— support business sustainability. Meanwhile, the influence of Capability on Accounting is indicated by a coefficient of 0.112 with a p-value of 0.006. Although the value is not as large as other variables, this study has shown that increasing capabilities, such as financial staff competence and mastery of accounting information systems, contribute to improving the quality of financial recording and reporting (Krismiaji, 2010; Marliyati & Nikmatuniayah, 2010).

Monitoring and Learning (X4) has the strongest impact on Going Concern. The path coefficient from X4 to Y1 is 0.352 with a p-value of 0.000, indicating that a good monitoring process and a learning culture within the organization significantly strengthen business sustainability. MSMEs that actively monitor performance, evaluate weaknesses, and implement continuous improvement tend to be more adaptive and resilient. In addition, Monitoring and Learning also have a positive effect on Accounting. This indicates that a well-functioning monitoring and learning mechanism is a driver of improving the quality of accounting practices, both in terms of compliance, accuracy, and transparency.

Furthermore, Going Concern (Y1) itself was shown to have a strong influence on Accounting (Y2). The path coefficient of 0.349 indicates that the better the company's business continuity conditions, the better the accounting practices implemented. Logically, companies oriented towards long-term sustainability will tend to maintain the quality of their financial reporting as a form of accountability to stakeholders. This finding also suggests that Going Concern has the potential to be an important pathway connecting the influence of Purpose, Commitment, Capability, and Monitoring and Learning on Accounting.

Table 4. Direct Effect Test Results Table

	Original sample (O)	T statistics (|O/STDEV|)	P values
X1 -> Y1	0.362	5,626	0,000
X1 -> Y2	0.296	5,716	0,000
X2 -> Y1	0.131	2,298	0.022
X2 -> Y2	0.150	3,452	0.001
X3 -> Y1	0.214	3,955	0,000
X3 -> Y2	0.112	2,732	0.006
X4 -> Y1	0.352	5,226	0,000
X4 -> Y2	0.200	4,229	0,000
Y1 -> Y2	0.349	5,466	0,000

X1: Purpose
X2: Commitment
X3: Capability
X4: Monitoring and Learning
Y1: Going Concern
Y2: Accounting

Table 5. Indirect Effect Test (Mediation Test)

	Original sample (O)	T statistics (|O/STDEV|)	P values
X1 -> Y1 -> Y2	0.126	3,434	0.001
X2 -> Y1 -> Y2	0.046	2,335	0.020
X3 -> Y1 -> Y2	0.075	2,960	0.003
X4 -> Y1 -> Y2	0.123	4,636	0.000

X1: Purpose
X2: Commitment
X3: Capability
X4: Monitoring and Learning
Y1: Going Concern
Y2: Accounting

Overall, the results of this direct influence test indicate that the four independent variables: *Purpose, Commitment, Capability* and *Monitoring and Learning,* both collectively and individually, contribute positively and significantly to Going Concern and Accounting. Furthermore, Going Concern also plays a significant role in improving the quality of accounting practices. Therefore, all structural relationships tested in the model are supported by empirical data, and the direct influence hypothesis proposed in this study can be accepted.

In SEM-PLS analysis, the indirect effect shows how much influence an independent variable has on the dependent variable through an intermediary variable (mediator) (see Table 5). In this study, Going Concern (Y1) acts as a mediating variable that bridges the influence of Purpose (X1), Commitment (X2), Capability (X3), and Monitoring and Learning (X4) on Accounting (Y2). An indirect effect is declared significant if the t-statistic value is > 1.96 and the p-value is < 0.05. Based on the table, all indirect paths tested meet these criteria, so the mediation that occurs can be declared significant.

First, Purpose (X1) is proven to have a positive and significant indirect effect on Accounting (Y2) through Going Concern (Y1), with a coefficient value of 0.126, a t-statistic of 3.434, and a p-value of 0.001. This shows that Purpose not only has a direct effect on accounting practices, but also influences them indirectly by first increasing Going Concern. This means that when organizational goals are stronger and more focused, it will improve business sustainability, and in turn, good going concern conditions will encourage the implementation of higher quality accounting practices. When combined with the direct effect of X1 on Y2 which is also significant, it can be concluded that Going Concern partially mediates the effect of Purpose on Accounting.

Furthermore, Commitment (X2) also shows a significant indirect effect on Accounting through Going Concern, with a coefficient of 0.046, a t-statistic of 2.335, and a p-value of 0.020. Although the value is relatively smaller compared to other variables, this result still indicates that some of the influence of commitment on accounting practices occurs through improvements in Going Concern. In other words, the higher the commitment in the organization, the better Going Concern will be, and this good condition of going concern will then contribute to improving accounting quality. The direct path of X2 to Y2 is also significant, so here there is also partial mediation by Going Concern.

Capability (X3) is also proven to have a significant indirect influence path on Accounting through Going Concern, with a coefficient of 0.075, t-statistic of 2.960, and p-value of 0.003. These results indicate that increasing organizational capabilities, both in terms of competency, resources, and systems will first strengthen Going Concern, and then the strong Going Concern will encourage improvements in accounting practices. Once again, because X3 also has a direct effect on Y2, Going Concern acts as a partial mediator in the relationship between Capability and Accounting.

The Monitoring and Learning variable (X4) also has a significant indirect effect on Accounting through Going Concern, with a coefficient of 0.123, and a p-value of 0.000. This value indicates that Monitoring and Learning, along with Purpose, are among those with the strongest mediation effect. This means that a good monitoring process and a continuous learning culture will improve a company's Going Concern, and ultimately encourage better accounting implementation. With the direct effect of X4 on Y2 also being significant, Going Concern also acts as a partial mediator.

Overall, the results of this indirect influence test indicate that Going Concern functions as a significant mediating variable in the relationship between Purpose, Commitment, Capability, and Monitoring and Learning on Accounting. This means that these four variables not only influence accounting practices directly, but also indirectly through improvements in Going Concern conditions. This finding reinforces the importance of business continuity as a link connecting the quality of governance and internal organizational processes with the quality of resulting accounting practices.

Theoretically, going concern acts as a bridge that explains why and how dimensions of internal control (such as the control environment and control activities) shape a company's accounting practices. Well-designed internal controls serve to reduce information asymmetry between management (agent) and owners/investors (principals). Confidence in the future of the business motivates management to implement transparent and accurate accounting practices.

If the going concern outlook is assessed as good (going concern is assured), management will have more freedom and courage to apply standard accounting practices (such as revenue recognition, depreciation of long-term assets, and comprehensive financial statement disclosure) appropriately. Conversely, if the going concern is threatened, accounting practices often must be adjusted to a liquidation basis (asset valuation based on immediate sale value) and rigorous disclosure of material risks.

Interpretation of Key Findings

This study can identify purpose, commitment, capability, and Monitoring and Learning as having a significant and indirect influence on Accounting through Going Concern. Going Concern functions as a significant mediating variable in the relationship between Purpose, Commitment, Capability, and Monitoring and Learning on Accounting. The results of this study are in line with the research of Peroy & others (2024), which states that, “the level of effectiveness of internal control and internal audit and the business performance of the SMEs were considered high with the overall mean of 4.19, 4.32, and 3.97, respectively. Hence, it is recommended to use this study as a basis to identify any potential issues to enhance and strengthen the level of effectiveness of internal control and internal audit and their influence on the SMEs' business performance". Different from research of Noor Hikmah & others (2025), which states that, "The results of this study show that internal control and risk management are not significant in achieving MSMEs' business continuity. This study expands the literature by providing empirical evidence on the role of internal control and risk management in the growth of going concern of MSMEs".

This research is supported by Fauzi & others (2026) who stated that "Internal control has been proven to have a positive and significant influence on business continuity. The implementation of internal control components that refer to COSO helps MSMEs in minimizing the risk of errors, fraud, and operational inefficiencies." A good control system creates operational stability and increases accountability, which ultimately supports long-term business sustainability (Putri & others, 2025). This research is also supported by Noval & others (2025) who indicated, "the adoption of AIS has significantly improved internal control, which contributes to better financial management and operational transparency".

This study covers MSMEs in the catering industry, photo studios, printing, handicrafts, etc. The samples interviewed were Yesy Florist Tembalang, Photo Studio Kita, and Mozza Kitchen. Based on an interview with the Mozza Kitchen, "In difficult situations, the company can still survive with its own capital." The owner of Yesy Florist Tembalang stated that his business has been able to thrive because he separates company and personal finances. He doesn't use company funds for personal needs, but instead reinvests them as capital.

In contrast to Uluputty's research, Fajrin N et al. rejected this opinion with the following research findings: "Internal control components have been implemented functionally but not optimally. The control environment is still informal, risk assessment is not yet systematic, as a result of internal control activities not fully following COSO theoretical standards." Putri H, Burrohman M, and Lutfhi M expressed similar opinions, saying, "However, there are weaknesses in the monitoring aspect because there has not been a regular evaluation of inventory. Therefore, the existing internal control system has not been running optimally." This study suggests improving documentation, segregating work responsibilities, and implementing routine evaluations so that internal control can run more effectively and support the overall performance of MSMEs.

Uluputty & others (2026) research results on the implementation of the internal control system on The Sale of UD Rudi, with COSO. This study shows a relationship between the implementation of the internal control system whit sales risk reduction and operational effectiveness at UD Rudi. Fauzi & others (2026), demonstrated that implementing internal control components based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework helps MSMEs minimize the risk of errors, fraud, and operational inefficiencies. This research relates to the opinion that "A good control system creates operational stability and increases accountability, which then supports long-term business success." The different findings may be explained by differences in research settings. Fauzi & others (2026) focused on manufacturing-oriented MSMEs using the COSO framework, whereas the present study examined creative-industry MSMEs using the COCO.

Some studies that support COSO internal control analysis of MSMEs are: Anggraini & others (2025); Hermawan & others (2025) Saputra & others (2026); Putri et al. (2025); Setiawan (2018); Radjawane & others (2024); Elier (2026); Tehupuring & Lingga (2017); Rohman & Khasanah (2026). Meanwhile, there are only a few scientific articles that support the evaluation of COCO internal controls, including: *Nani & Sifrid (2018).*

MSMEs remained resilient and were able to sell their products with significant turnover. These MSMEs are Yesy Florist Tembalang, a photo Studio Kita, and Mozza Kitchen. Demand for goods and services continues to increase, because the goods and services sold are products of creativity and art. Specific artistic creativity, following trends, and tailored to consumer needs, is different from mass industry. These MSMEs experienced stagnation during the pandemic years of 2022 and 2023, but subsequently saw rapid growth in 2025. Both Yesy Florist and Mozza Kitchen adapted to the market by following trends and current demands, while also utilizing online sales channels such as TikTok and Tokopedia. Notably, Yesy Florist maintains a strict separation between business and personal finances; sales revenue is not used for personal expenses but is instead reinvested as capital for future inventory. Yesy Florist has expanded its market reach beyond Semarang to other cities. The business actively engages with communities and keeps up with trends, given the artistic nature of its products. There are dedicated management functions for production, sales, and marketing. Interviews with these three MSMEs lead to the conclusion that they are capable of surviving periods of economic hardship, such as the pandemic or an economic recession.

Conclusion

Based on the data processing, it can be concluded that: This study can identify purpose, commitment, capability, and Monitoring and Learning as having a significant and indirect influence on Accounting through Going Concern. Going Concern functions as a significant mediating variable in the relationship between Purpose, Commitment, Capability, and Monitoring and Learning on Accounting. Effective internal control policies in MSMEs minimize the risk of fraud, safeguard assets against loss, and ensure the accuracy of financial data. Implementing a structured system is crucial for achieving operational efficiency and supporting business sustainability.

MSMEs remained resilient and were able to sell their products with significant turnover. Interviews with the three MSMEs revealed that they are capable of surviving pandemics or economic recessions, keeping up with trends, and meeting market demands. Simply put, business finances are kept separate from personal finances. There are dedicated management functions for production, sales, and marketing. The results of this study have significant implications for the development of COCO-based internal control theory and the literature on MSME sustainability. MSME owners can learn that internal control practices, particularly monitoring and learning mechanisms, are crucial for future operations.

The policy implication of this research is that, given the ability of MSMEs to withstand pandemics and economic recessions, they should receive government support and easier access to bank financing—especially since MSMEs typically rely on their own capital, which is often intermingled with personal finances.

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