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Internal Control Implementation Business Sustainability Among Tourism Village Weaving Msmes In Cibal District

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Abstracts

This study aims to analyze the implementation of internal controls based on the COSO framework and its implications for business sustainability within three weaving in Lando Village, Cibal District, Manggarai Regency. This descriptive qualitative study employs stewardship theory as an interpretive lens and utilizes four going concern indicators as a framework for assessment. Data were collected through in-depth interviews, observation, and documentation involving eight purposively selected informants. Data validity was verified through source and technique triangulation. then analyzed using the Miles and Huberman model. The findings indicate that internal control practices remain informal, traditional, rreactive, heavily dependent on the personal role of the group leader rather. The control environment lacks the strength to serve as an institutional foundation, risk assessment is based on experience rather than systematic mechanisms, control activities are limited to monitoring production quality, information and communication systems lack adequate record keeping, also the evaluation and monitoring processes are not yet structured. These conditions create cascading implications for weaving business sustainability resulting in unstable incone, limited capital, discontinuous production, and a lack of resilience against long term changes.

Keywords: Internal Control System, COSO Framework, Going Concern, Business Sustainability, Weaving MSMEs.

INTRODUCTION

The development of micro, small, and medium-sized enterprises (MSMEs) plays a crucial role in strengthening the economy, fostering equitable wealth distribution, and enhancing public prosperity (Janah & Tampubolon, 2024). A tangible example of this economic strengthening is the empowerment of weaving based MSMEs in Cibal District,

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Manggarai Regency. This initiative stems from the fact that the weaving trade serves as the backbone of the local economy, where local housewives produce *songke* fabric that embodies the culture of the Manggarai people.

Data from the Central Statistics Agency of Manggarai Regency for 2025 records 955 active weaving business units during 2024 in whole Manggarai region. This metric underscores the sector's strategic role in driving the local economy. These enterprises are classified as small to medium scale manufacturing industries, with sectoral empowerment instutionalized through Manggarai Regency Regional Regulation Number 3 concerning the Medium Term Development Plan for 2021-2026. Policy execution involves technical traning, equipment distribution, weaving group formation and institutional guidance by the Regional National Crafts Council (Dekranasda) (Gandur et al., 2022). The local government also has additionally designated Lando and Bea Mese villages in Cibal District as "Weaving Tourism Villages" to anchor *songke* weaving development (victorynews.id, 2022).

Empowerment initiatives for weaving business has not yet guaranteed business sustainability. Aman (2022) found that the development of the weaving industry in several villages within Cibal District remains suboptimal, characterized by unstable income and turnover. Preliminary research conducted from February 5 until 10, 2026, revealed similar structural vulnerabilities. Weavers' income remains heavily dependent on contractual orders from partners, deficiencies in formal bookkeeping remain widespread among weavers and business funds are frequently commingled with household consumption expenses. directly leading to the depletion of production capital. This capital depletion triggers under-capitalization, reduce production capacity and product quality. This operational constraint ultimately suppresses profit margins and weakens the enterprises' competitive position.

Issues that facing by the weaving MSMEs in Cibal District tourism villages culminate in a low manufacturing sector contribution to the Gross Regional Domestic Product (GRDP) of Manggarai Regency, standing at only 0.43%. Deficient production capacity and suboptimal quality stemming from weak internal controls specifically the absence of capacity planning and clear quality standards directly threaten the business cycle and long-term sustainability. This phenomenon reflects structural vulnerabilities across the entire MSME sector in Manggarai Regency. A positive growth trend from 3,678 units in 2022 to 5,191 units in 2025 still coexists with critical challenges regarding business upgrading and highly fluctuating turnover. This issuess also constraint mirror systemic MSME challenges on a global scale. Owolabi & Ogan (2022)state that only 5–10% of enterprises survive to reach a mature operational stage due to weak capital management and a lack of fund separation. Abossolo & Tiona (2025) report a broader MSME failure rate of 72% driven by poor financial policies, weak controls, and the

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absence of internal audit functions. The high of failure rates underscore the urgency of implementing a robust internal control system to ensure the going concern and long-term business sustainability of weaving MSMEs.

Business sustainability is rooted in the going concern principle, which assume that an entity is established to continue its operations and contribute economically over the long term (Anwar et al., 2023). Achieving these objectives relies on the pillars of effectiveness, efficiency, and accountability, which can be ensured through the implementation of internal controls. Internal control plays a vital role in business management, as it serves as the foundation for supporting the continuity and growth of a business (Yadewani et al., 2024). The framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) divides internal control into five components: the control environment, risk assessment, control activities, information and communication, and monitoring (Purwanti et al., 2023) (Su et al. (2022) demonstrate that this framework can enhance both reporting accuracy and operational effectiveness.

The synergy among the five components of internal control serves as a decisive factor in organizational management, particularly in mitigating risks that could induce business failure. Nqala & Musikavanhu (2023), Fitria et al. (2024) and Lubis et al. (2024) demonstrate that robust internal control exerts a positive impact on the viability and sustainability of MSMEs. Conversely, Khikmah et al. (2025) present divergent empirical evidence, suggesting that internal control and risk management do not significantly influence business sustainability. Inconsistencies in these empirical findings underscore the necessity for an in-depth examination of internal control mechanisms in relation to business sustainability.

Prior studies also predominantly relied on quantitative methodologies, thereby omitting an exploration of the operational realities of internal control implementation or the contextual factors influencing it. A qualitative approachIS deployed in this study to address this research gap, allowing for a comprehensive exploration of socio-economic conditions, socio-cultural dynamics, human resource characteristics, and the hybrid business structures within the weaving industry. Research focusing on internal control as a driver for the sustainability of weaving MSMEs within designated tourism villages in Cibal District remains exceptionally scarce. This empirical void serves as the primary rationale for the present study, which concurrently supports the sectoral development initiatives spearheaded by the Manggarai Regency Government.This study intends to deliver practical contributions for weaving MSMEs in the tourism villages of Cibal District, enabling artisans to cultivate a resilient operational environment and optimize their potential as a regional economic pillar.

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LITERATURE REVIEW

Internal Control System

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines internal control as a process operationalized by the board of directors, management, and other personnel to provide reasonable assurance regarding the achievement of organizational objectives (Khikmah et al., 2021). Internal control is a driven mechanism to safeguard entity assets, enhances regulatory compliance, and ultimately delivers critical assurance to financial statement users regarding the integrity of presented reports (Suhayati in Elisabeth et al., 2023).

According to the COSO Framework, there are five components of internal control to supporr entity to achieve their business purposes.

1. **Control Enviroment** is the foundational essence that reflects the oversight and governance mechanisms established by business owners and management, as manifested through their shared attitudes and awareness regarding internal control implementation (Khikmah et al., 2021). This environment encompasses corporate integrity, ethical values, commitment to competence, management philosophy, operating style, organizational structure, and human resource policies. All of these elements direct business operations to ensure strict alignment with the entity's strategic vision and mission (Elisabeth et al., 2023).
2. **Risk assesment** is a dynamic, iterative process dedicated to identifying and analyzing potential vulnerabilities and exposures that may arise throughout small business operations (Purwanti et al., 2023). Business activities inherently involve risk factors stemming from operational decision making and this structural component remains critical to mitigating adverse risks.
3. **Control activities** is the foundational framework of actions, procedures, and policies executed to mitigate operational risks in order to achieve enterprise goals and objectives (Oluwatoyin et al., 2025). Segregation of duties, authorization of transactions, verification, reconciliation, reviews of business performance, and the safeguarding of organizational assets constitute these activities (Purwanti et al., 2023)).
4. **Information and communication** is the essential structural component supporting the achievement of small business objectives (Purwanti et al., 2023:57). Information and communication networks deliver organizational transparency and accountability. Relevant, accurate, and timely data dissemination prevents errors stemming from a lack of knowledge while eliminating inappropriate operational decision making (Absari et al., 2023). Accounting information systems facilitate this component by producing financial reports that connect business stakeholders with current operational status (Chang et al. in Elisabeth et al., 2023).

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5. **Evaluation and monitoring** is the oversight process dedicated to assessing the implementation of internal control components already in place (Khikmah et al., 2021). This oversight mechanism ensures that small business operations remain sound, align with the original business purpose, and comply with applicable regulations

Stewardship Theory

Stewardship theory introduced by Donaldson and Davis in 1991 and further developed by Davis, Schoorman, and Donaldson in 1997. Stewardship theory posits that individuals possess intrinsic motivation to work for the collective benefit of the organization and external stakeholders (Subroto & Endaryati, 2024). Human actors within this framework are trustworthy, responsible, and characterized by high integrity (Subroto & Endaryati, 2024). Internal motivation drivers include trust, reputation, reciprocity, autonomous responsibility, job satisfaction, strategic mission alignment, professional recognition enhances naturally fostering good governance while minimizing the intentional neglect of control mechanism.

Micro, small, and medium enterprise environments where the owner simultaneously acts as the manager reinforce the relevance of this perspective. Intentions toward business sustainability depend heavily on this intrinsic motivation. Stronger motivation dictates better business governance. Separating personal and business finances alongside systematic record keeping allows for consistent monitoring of business development. This empirical study uses the theory as an analytical lens to understand internal control practices among weavers. Weavers operate as family stewards balancing daily living requirements and the family micro-economic interests directly compete with small business operational needs. The stewardship perspective explains this operational situation and analysis thow weavers run business activities according to their specific roles as weaver and famlily member also their accountability trough the motivation behinde that.

Business Sustainability and Going Concern

Business sustainability refers to an organization's ability to maintain economic activities and achieve long-term growth while ensuring operational continuity (Solovida et al., 2024). In accounting perspective, sustainability is closely associated with the concept of going concern, which assumes that an entity can continue operating in the foreseeable future without the intention or necessity of liquidation (IAASB, 2025). Statutory frameworks mandate the formal evaluation of substantial doubt regarding operational survival (KPMG LLP, 2025).

Micro, small, and medium enterprise viability depends on cash flow stability, growth metrics, obligation fulfillment capacities, and general economic resilience rather

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than mere profitability (Fauzi et al., 2026). This empirical research contextually derives four distinct operational indicators. Income stability serves as the primary metric given that sharp revenue fluctuations frequently precipitate small business failure (Nqala & Musikavanhu, 2023). Capital availability addresses production funding constraints caused by co-mingling personal and business finances (Lubis et al., 2024). Production continuity monitors operational stoppages resulting from delayed cash inflows (Taguinod, 2025). Resilience against fluctuations evaluates survival capacity amidst deficiencies in long-term strategic vision or formal contingency plans (Khikmah et al., 2025).

RESEARCH METHOD

This study was a descriptive qualitative approach. Qualitative inquiry enables systematic examination of internal control implementation in weaving micro, small, and medium enterprises alongside subsequent implications for business sustainability. Comprehensive overview structures relevant solutions to identified operational problems. The empirical scope centered on three specific weaving groups in Lando Village, a designated weaving tourism area within Cibal District. The primary focus of this research was analyzing internal control using the five core components of the COSO framework. Examining subsequent implications for the sustainability of weaving businesses directly linked these internal control dimensions to going concern indicators. Primary and secondary sources provided the necessary empirical data. Fieldwork generated primary data through interviews, observations, and documentation involving weavers within assisted weaving groups, group leaders, and representatives from the Regional National Crafts Council of Manggarai Regency. Purposive sampling criteria dictated informant selection based on operational tenure, production capacity, and active involvement in weaving business management. Source triangulation and method triangulation ensured data credibility. Sequential analysis involved systematic data collection, data condensation, data display, and final conclusion drawing.

RESULT

Internal Control Condition

Internal control implementation among weaving MSMEs in Lando Village is neither structured nor documented within a formal system. Current practices are largely informal, evolving from daily habits and mutual agreements, and rely heavily on the active role of the group leader. Weavers do not widely recognize the term internal control in day-to-day operations. The concept understood within a formal academic or business-managerial context.

Internal controls serve as a mechanism for the weavers to manage weaving schedules and ensure compliance with the requirements set by the party commissioning

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the work. Technical oversight by the Regional National Crafts Council (Dekranasda), acting as the commissioning party, verifies that the woven products meet established quality standards. Adherence to these quality standards mitigates the risk of payment deductions resulting from unintentional non-compliance.

1. **Control Enviroment**

   The control environment within the three fostered weaving groups in Lando Village is built upon the business philosophy of securing fair selling prices and stable income to support the family economy, although this philosophy has not been operationalized into measurable production targets, performance indicators, or written policies. Formally, the three groups possess a complete management structure adapted to the weavers' competencies. However, the implementation of responsibilities within this structure does not operate uniformly or function as intended. In the Wela Kaweng group, organizational functions are centralized around the leader because other administrators are inactive. In the Wela Runus group, the structure operates well but is temporarily suspended due to a collective leave period. In the Libo group, structural functions have shifted to managing a revolving savings and loan system because the group no longer accepts orders.

   The ethical values and member commitment across the three groups stem from cooperation agreements with Dekranasda regarding deadlines, motifs, and product quality. These rules are communicated orally by the leaders without official documentation archived by the groups. The execution of member commitment in the three groups is situational, adjusting to the presence or absence of incoming orders. Groups with inactive members demonstrate very low commitment due to the absence of compensation. Conversely, groups that actively accept orders strive to maintain commitment through internal agreements. The absence of incentives for group leaders also affects the continuity of organizational activities. Dekranasda notes that overall, the integrity and commitment of weavers in Lando Village have declined since 2023, marked by increasing violations of order completion deadlines and withdrawal from cooperation.

2. **Risk Assessment**

   The three weaving groups have not established a systematic mechanism for risk identification and analysis. The primary risk recognized by the weavers is the deduction of work fees by Dekranasda due to delays or quality mismatches. The main obstacles stem from the weavers' difficulty in managing time due to their dual roles as housewives and farmers, along with operational risks such as loom damage that halts production. Risk analysis is only conducted incidentally when problems arise. Risk anticipation is carried out reactively for instance, through direct monitoring by the

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group leader at members' homes, or by making a collective decision to temporarily stop accepting orders from Dekranasda due to repeated penalty deductions.

3. **Control Activities**
   Control activities demonstrate two contrasting conditions. In the production aspect, there are no written Standard Operating Procedures (SOPs), but quality control is implemented adequately through direct supervision by the group leader from the yarn preparation process to the finished product. The group leader verifies motif suitability, thread density, and pattern neatness. Transaction authorization is centralized with the group leader, who holds the authority to approve order acceptance and weaver appointments. In the financial aspect, control is notably weak. There is no separation between business funds and household funds at the individual level. Weavers do not maintain transaction records, receipts, or cash evidence, relying heavily on memory. Cash reconciliation is only performed informally through the group savings mechanism (which has stalled in the Wela Kaweng Group). The three groups also do not possess collective assets, making asset protection (such as looms) individual in nature. A damaged loom requires the weaver to repair or remake it independently, which halts production for an undetermined period.
4. **Information and Communication**
   The financial recording system has not been operating effectively. Cash books, order books, and inventory books that existed at the beginning of the group's formation are now rarely utilized. At the individual level, all informants rely on memory to calculate profits and yarn usage. Internal communication varies among the groups; the Wela Kaweng Group has not held regular meetings for a long time, while Wela Runus and Libo still hold monthly meetings that focus more on discussing the savings fund rather than evaluating weaving production. External communication with Dekranasda is conducted in stages, from Dekranasda to the group leader and subsequently to the members. This process is frequently hampered by unstable internet networks, long distances between members' homes, and limited smartphone ownership. These conditions often cause information not to be conveyed evenly to all members, and Dekranasda notes inconsistencies in the reporting of weaving progress from the groups in Lando Village.
5. **Monitoring**
   The monitoring function is limited to supervising production quality conducted by the group leader during the weaving process. There are no structured independent evaluations from individual members or the three groups regarding the development of the weaving business. The current routine group evaluation only focuses on the monthly savings fund. External monitoring by Dekranasda is also only conducted once a year or when deemed necessary, focusing on the final product curation before work

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fees are paid, without continuous monitoring of the group's institutional and financial processes.

Findings on Weaving Business Sustainability (Going Concern Indicators)

1. **Income Stability**
   Group and individual incomes are highly volatile and depend entirely on the presence of orders from Dekranasda or independent partners. In the Wela Kaweng Group, orders from external partners are only distributed to members considered active. The three groups do not possess the ability to plan production and allocate capital with certainty.
2. **Capital Availability**
   Capital availability is highly limited due to the absence of separation between business and household funds. Profits from weaving sales are directly utilized to meet consumption needs, and the groups do not possess specific savings or capital reserves for subsequent production.
3. **Production Continuity**
   Weaving activities do not occur consistently every month. Production frequently halts because the weavers must adjust to dual roles (managing households, farming), health conditions, traditional events, and loom damage that requires significant time to repair.
4. **Resilience to Fluctuations**
   The three groups do not possess a long-term vision or a structured contingency plan. When orders decline, the weavers shift to relying on farming or agricultural labor to obtain alternative income, without a planned mitigation strategy to sustain their weaving business

DISCUSION

The implementation of internal control in the Weaving MSMEs in Lando Village, Cibal District, has not developed into a formal and sustainable system. Limitations across the control system components manifest in various aspects of business sustainability. These aspects include unstable group income, limited capital availability, frequent disruptions in production continuity, and extremely low resilience to market and social fluctuations. These four going concern indicators are interconnected and form a cycle that weakens the long-term position of the weaving business

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Internal Control Implementation According to the COSO Framewok

1. Control Environment

The existing control environment within the observed organizations remains traditional and informal, failing to serve as a robust foundation for effective internal control. The COSO framework establishes the control environment as the foundational basis representing integrity, ethical values, commitment, and human resource policies (Khikmah et al., 2021). This specific component is generally present across the three assisted groups, but it does not fully reflect an adequate infrastructure to support the work environment. The prevailing business philosophy is primarily oriented toward group survival through passive risk avoidance, which is further reinforced by a facilitative leadership style. This ongoing operational process causes the control mechanism to malfunction because it lacks a measurable and structured target system. This structural condition deviates from the core essence of a control environment that emphasizes a balanced approach between risk management, target setting, and personnel incentives.

Structural weaknesses within this control environment can be explained through Stewardship Theory. The intrinsic motivation of the weavers namely the drive to obtain fair prices, secure stable income, and morally preserve their culture drives the group, particularly the leader, to assume maximum responsibility. This strong stewardship motivation should ideally serve as the baseline for building sound corporate governance, yet this commitment is unmatched by managerial capabilities and structured systemic support. This misalignment causes the established governance framework to remain entirely informal. The ultimate effectiveness of a steward's motivation depends heavily on the external support or rewards provided for the responsibilities carried out (Subroto & Endaryati, 2024). The group leader currently bears the burden of coordination and supervision without any financial compensation or formal recognition from Dekranasda. Stewards inherently require formal recognition and opportunities to complete challenging tasks to maintain their long-term motivation (Subroto & Endaryati, 2024).

The widening imbalance between the leader's actual role and Dekranasda's recognition gradually erodes existing leadership motivation. These empirical findings reinforce the study by Trisnawati & Susilawati (2022) regarding the internal environment in BUMDesa as the weakest implemented component, proving that a formal structure does not automatically guarantee operational effectiveness. This situation aligns with Oluwatoyin et al. (2025), who emphasize that an effective internal control system requires complete alignment between operational responsibility and institutional support.

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2. Risk Assessment

The risk assessment process across the three assisted groups in Lando Village has not operated formally and lacks a systematic, planned framework. Risk identification runs purely intuitively based on empirical experience, missing the support of collective, structured risk analysis, which results in reactive responses. Formal risk analysis is completely absent within these three assisted groups. The ultimate consequence of this inadequate risk assessment process is the collective decision of the three groups to stop accepting orders from Dekranasda without conducting any prior analysis of the long-term consequences. The COSO framework explains that the risk assessment component must include a dynamic, iterative process to identify and examine risks that potentially disrupt business activities (Purwanti et al., 2023). The identification process has indeed developed within the three groups, but it operates intuitively without regular or structured systematization, leaving existing risks without high-intensity prevention efforts. Formal risk analysis is never conducted, and the process of reviewing impacts or designing mitigation systems is neglected, causing operational risks to occur repeatedly. The groups ultimately lack the adequate capability to anticipate and manage risks before they severely impact daily operations and long-term business sustainability. The response to occurring risks also runs reactively through the termination of cooperation, bypassing long-term analysis and complicating the institutional sustainability of the three groups. This reactive approach deviates from the essence of the risk assessment process in the COSO framework, which mandates a structured and systematic process to reduce risk occurrences so the entity can achieve its objectives. The stewardship theory perspective explains these reactive decisions as a manifestation of the steward's protection of self-esteem and member harmony. Stewards are inherently motivated by rewards related to trust, reputation, reciprocity, and mission alignment, where the primary motivation that emerges is the protection of group self-esteem (Subroto & Endaryati, 2024). The accumulation of cost deductions by Dekranasda is interpreted by the weavers as a form of injustice that completely ignores their multi-role sacrifices. This perception of injustice gives rise to a collective, emotional decision to reject Dekranasda's orders to protect the self-esteem and harmony of group members, bypassing deep rational analysis. This situation describes the essence of a steward trying to maintain the trust and reputation of the group without the accompaniment of a rational risk control mechanism. The deduction risk which should ideally function as a quality control tool is instead viewed as a structural threat that drives the termination of cooperation. These research findings line up with Trisnawati & Susilawati (2022), who found that the risk assessment component in BUMDesa is one of the weakest implemented

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components, often discussed only after problems have occurred rather than as a planned anticipatory mechanism. This finding also supports Su et al. (2022) who state that effective internal control, including the risk assessment component, contributes positively to business sustainability through proactive risk anticipation capabilities.

3. **Control Activities**

Control activities within the three groups demonstrate a clear operational dualism. Quality supervision within the production aspect runs relatively well despite the absence of a standardized production process, as the leader and the technical team actively conduct inspections from the yarn preparation stage through the weaving process to the finished product. Control activities within the financial aspect are notably weak. There is no separation between business revenues and personal consumption funds at the individual level. Weavers store all sales proceeds in a single personal purse and use them for various immediate needs without any financial recording. Notes, receipts, or official records documenting transactions are completely absent. The entire transaction process relies exclusively on memory and interpersonal trust, and the most acute condition occurs in the Wela Kaweng group, where financial and administrative functions are centralized entirely on the leader.

The COSO framework states that control activities should ideally take the form of segregation of duties, transaction authorization, verification, reconciliation, business performance reviews, and the protection of organizational assets. Control activities within the three groups in Lando Village only cover the production area, while the equally critical financial area and segregation of duties are completely ignored. Quality control by the leader represents an effective form of verification and operational performance review, but the segregation of functions has not operated well due to an inactive treasurer. The total absence of transaction evidence and formal reconciliations highlights severe weaknesses in asset protection principles and accountability within financial activities.

Stewardship theory helps explain these weaknesses in control activities, particularly the commingling of business and household funds. Weavers act primarily as family stewards who prioritize meeting basic household needs, thus viewing weaving income as a unified whole with household livelihoods rather than as a separate business entity. The limited human resource capacity of the weavers regarding financial management further exacerbates this situation. The effectiveness of production quality control running strictly without written instructions indicates the strong motivation, responsibility, and mission alignment of a steward. The spirit of responsibility for collective reputation to maintain the quality of Manggarai songke motifs underlies the highly disciplined physical monitoring mechanism of the cloth. Weavers feel morally responsible for the beauty of the products, achieving personal

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satisfaction when customer express satisfaction with the weaving results. This deep commitment creates a direct increase in their reputation and trust, indicating that a steward is highly motivated by the trust and responsibility given to them. These research findings are in line with Trisnawati & Susilawati (2022) showing that ineffective control activity components prevent overall internal control from running optimally. A similar pattern is observed in the assisted groups in Lando Village, where control activities are limited to informal, leader-dependent production quality supervision, while transaction documentation, fund separation, and collective asset protection are hardly implemented. This finding also supports the study by Fauzi et al. (2026), which emphasizes the importance of financial report quality and internal control as primary organizational foundations.

4. **Information and Communication**

The implementation of the information and communication component within the three groups has not functioned adequately as a mechanism for transparency and accountability. The financial recording of each group is highly simplistic, internal communication does not run consistently, and external communication is severely hampered by poor infrastructure conditions. These combined factors prevent information from being conveyed thoroughly, making it difficult to realize structural accountability within the three assisted weaving groups in Lando Village. Financial transparency is very low, especially in the Wela Kaweng group, where the leader deliberately hides the stalled cash condition from members to maintain group reputation and avoid interpersonal conflict. According to the COSO framework, information and communication are vital to support the achievement of objectives with relevant, accurate, and timely quality (Purwanti et al., 2023). This condition is not reflected in the assisted groups in Lando Village, where financial reports and order data are difficult to use as a basis for strategic decision-making because the system remains traditional and lacks consistent reporting. This system does not run and is rarely executed at the individual level or within the Wela Kaweng group. The accounting system should function as a means of systematic communication, but this function fails to operate well within the three groups. Existing financial information remains manual, while low transparency and inadequate communication infrastructure cause members especially in Wela Kaweng to lose trust. External communication with Dekranasda is structurally hampered, and internal policies such as the weaver hierarchy are not conveyed clearly. This communication breakdown reflects that the information system has been unable to control weaving business activities to achieve operational effectiveness and accurate reporting.

According to Stewardship Theory explains these findings by emphasizing the motivation of a steward regarding trust, reputation, reciprocity, job satisfaction, and

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mission alignment (Subroto & Endaryati, 2024). The culture of harmony and conflict avoidance serves as the background for ignoring financial transparency. This is particularly evident in the Wela Kaweng group, where the leader chooses to hide information about stalled dues to maintain the good name of indebted members and preserve emotional closeness among the weavers. This protective situation ignores the principles of transparency and accountability, but it simultaneously demonstrates the determination of the Wela Kaweng leader as a steward trying to maintain trust, carry out responsibilities, and protect group reputation.

A heavy dependence on verbal mechanisms combined with geographical infrastructure barriers triggers severe information asymmetry with Dekranasda. The trust of the assisted group member decreases when information is not conveyed transparently. Weavers experiencing information asymmetry feel untrusted, which further erodes their commitment to cooperate and carry out their roles effectively, even though a steward is highly motivated by rewards related to trust and mission fulfillment satisfaction. Motivation that should be rooted in trust and mission satisfaction is not realized due to the systemic weakness of the information and communication system. The total absence of order records and yarn usage track records at the individual and group levels further strengthens this negative condition. The lack of recording makes members feel they have carried out their responsibilities by producing quality weaving without being able to prove it objectively, whereas a steward fundamentally needs the support of an accurate and transparent information system so their performance is recognized. This situation ultimately causes financial harm and hinders transparency with Dekranasda. The weakness of the information and communication foundation for data-based decision-making aligns with Fauzi et al., (2026) who emphasize the importance of recording quality for MSME sustainability. This finding also supports Fitria et al. (2024) regarding the role of internal control in supporting business sustainability through accounting information quality. This matches Su et al. (2022), who state that the effectiveness of internal control must be balanced with an adequate communication system, where the perception of mutual blame between Dekranasda and the assisted groups directly reflects the failure of the information system.

5. Evaluation and Monitoring

Monitoring practices remain fundamentally unstructured and completely lack continuous oversight. According to the COSO framework in, the monitoring component must include a rigorous evaluation of the implementation of the internal control system (Khikmah et al., 2021). Research findings show that the evaluation process is indeed conducted, but it remains highly limited and does not reflect an adequate business review. Existing evaluations have not functioned properly to

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ensure the operational effectiveness and efficiency of the group as a business entity. Elisabeth et al. (2023) emphasize that monitoring aims to assess operational effectiveness and the achievement of management objectives, but this is not depicted within the three groups, especially in weaving operations. Monitoring is only conducted through sporadic quality inspections by the group leader without a structured follow-up evaluation mechanism for the entire weaving business management process. This operational condition shows the weakness of the monitoring system that should be an important instrument in maintaining business sustainability according to the entity's formation objectives and applicable regulations. The structural situation in the assisted groups in Lando Village can be understood through Stewardship Theory. The collective responsibility and reputation of the weavers drive the spirit of maintaining weaving quality, especially in preserving the philosophical value of Manggarai songke motifs. The findings regarding the relationship between the assisted groups and Dekranasda also show the dynamics of Stewardship Theory related to the monitoring component. Dekranasda's position as a supervisor should ensure that standards, resources, and consequences operate transparently and consistently, allowing the assisted groups to act as stewards maintaining production quality for the sustainability of cooperation. The operational reality shows that the cost deduction mechanism is not accompanied by a periodic monitoring pattern, and communication is reduced to a state of mutually expecting action from one another. This passive condition weakens the principle of trust—which is the core of steward motivation creating deep dissatisfaction and ultimately driving the three assisted groups to terminate cooperation. These research findings support the study of Oluwatoyin et al. (2025), proving that an internal control system ensures employee and manager behavior and decisions remain consistent with the organization's sustainability goals and strategies, thereby contributing to higher business performance in the long term. These findings are also in line with Nqala & Musikavanhu (2023) who emphasize that MSMEs implementing adequate internal control will experience significant business performance improvement and more assured operational sustainability.

Implications of Internal Control Implementation

A fragile control environment, exacerbated by weak risk assessment, directly triggers reactive and emotional decision-making because the groups do not possess a systematic analysis process to anticipate the long-term impact of their decisions. This behavioral vulnerability is clearly seen in the decision to terminate cooperation with Dekranasda, which was taken without considering the sudden loss of market certainty and raw material supply, and without any readiness of a replacement system. The

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immediate consequence leads to the loss of income stability and the total cessation of production continuity across the three groups. The weakness of the control activity component in the financial aspect marked by the absence of separation between business and consumption funds and the lack of transaction documentation causes business capital to stagnate and triggers severe undercapitalization.

This financial condition makes it difficult for the three groups to operate without fully relying on external partners, preventing them from creating products collectively and running independently. The non-functioning of the information and communication component further widens the information asymmetry between the assisted groups and Dekranasda. This structural breakdown lowers the level of member trust and triggers severe misunderstandings regarding quality standards and the exact consequences of work fee deductions. The groups completely lose preventive correction mechanisms when the monitoring component fails to run as a continuous evaluation process. This vulnerability cycle continues to repeat without fundamental resolution, creating a stagnation of institutional capacity in the assisted groups. Overall, this series of implications creates a micro-level systemic vulnerability that makes it difficult for groups to maintain daily operational stability while simultaneously weakening their competitiveness and long-term business resilience to changes in the business environment.

This micro-level systemic vulnerability ultimately leads to the macro-economic problem mentioned at the beginning of the study, namely the low contribution of the weaving processing industry to the Gross Regional Domestic Product (GRDP) of Manggarai Regency, which only reaches 0.43%. This marginal figure proves that the fragility of internal control in the assisted groups has direct implications for the entity's inability to maintain production capacity, maintain quality, and increase added value sustainably, leaving the potential of the weaving business as the backbone of the regional economy unrealized. Referring to the COSO framework, the five components of internal control constitute a unified whole that must strengthen each other (Purwanti et al., 2023:53). The structural weakness in the integration of these five components causes the internal control system to lose its capacity to provide reasonable assurance in achieving entity goals. The implementation of internal control is ideally designed to ensure operational effectiveness and efficiency, reliability of financial reporting, and strict compliance with applicable regulations (Chairunisa et al., 2025). This compliant condition is not depicted in the three assisted groups and directly threatens the going concern principle requiring the entity's ability to maintain its operations sustainably (Anwar et al., 2023:79). This negative implication reinforces the findings of Fauzi et al. (2026), Lubis et al. (2024), Fitria et al. (2024), and Trisnawati dan Susilawati (2022), who consistently emphasize that weak internal control negatively impacts MSME business sustainability

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through financial aspects, accounting information quality, and overall operational effectiveness.

Weaving Business Sustainability Conditions Based on Going Concern Indicators

1. **Income Stability**

   Weaving business income across the three assisted groups remains in a highly unstable condition. This income instability directly reflects the financial indicators identified by ISA 570 in IAASB (2025) as a clear signal of doubt regarding business continuity, specifically highlighting the entity's inability to predict cash inflows reliably. The entity completely loses its basis for planning production and allocating capital when income cannot be predicted, preventing the going concern assumption from being maintained. The weaving income instability experienced by the three groups does not necessarily weaken the immediate ability of weaver households to meet daily needs. This specific phenomenon is explained by stewardship theory as a form of responsibility of the weaver (steward) of the family in seeking alternative income when orders decline, although it actually only reflects household resilience and not the stability of the business unit itself (going concern). The business income instability stems directly from weak risk assessment namely the reactive decision to stop cooperation and a fragile control environment where measurable income targets are non-existent. This structural finding aligns with Nqala & Musikavanhu (2023), who state that the absence of an internal control system triggers severe income fluctuations that complicate operational planning.

2. **Capital Availability**

   Income instability directly impacts capital availability, leaving the three groups without adequate collective production capital and forcing them to constantly face severe financial limitations. This resource constraint directly reflects the financial indicators identified by ISA 570 in IAASB (2025) as a signal of doubt regarding business continuity, specifically manifest in negative cash flow and the inability to meet ongoing obligations. The entity completely loses the ability to safeguard assets and provide operational funds when business funds merge with consumption funds, preventing production obligations from being fulfilled. This operational failure is rooted deeply in the weakness of financial control activities and poor information communication, operating entirely without segregation of duties or adequate financial recording. This finding supports the research results of Lubis et al. (2024) who state that the implementation of a control system heavily influences business sustainability, where business development will fail to occur without additional capital availability.

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3. **Production Continuity**

Capital limitations have severe implications for the threatened continuity of production. The three groups experience regular disruptions in the continuity of weaving production, marked by weaving activities that fail to take place consistently every month. This operational cessation directly reflects the operational indicators identified by ISA 570 in IAASB (2025) as a signal of doubt regarding business continuity, specifically leading to the loss of market access or key management structures. The entity completely loses the operational capacity to meet market needs when production stops, preventing business continuity from being guaranteed. This volatile condition is caused by the weakness of the control environment and poor monitoring, operating entirely without standard work procedures or production schedules that ensure operations continue smoothly. These findings confirm that the ability to maintain production represents a core characteristic of a well-managed business operating through an adequate internal control system, as demonstrated by Taguinod (2025).

4. **Resilience to Fluctuation**

The empirical findings show that the survival strategies of the three groups remain completely passive. This passive resilience directly reflects the external indicators identified by ISA 570 in IAASB (2025) as a signal of doubt regarding business continuity, specifically highlighting changes in market conditions or institutional policies that are not anticipated by the entity. The passive resilience of the three groups to fluctuations is rooted deeply in weak risk assessment and non-functioning monitoring. The group as an entity loses proactive adaptive capacity when the three groups only react after a severe shock occurs without a contingency plan, leaving long-term business continuity unguaranteed. This vulnerable finding is in line with Khikmah et al. (2025), who state that MSMEs without a long-term vision remain highly vulnerable to market fluctuations, as well as Nqala & Musikavanhu (2023), who state that businesses lacking good governance will easily face bankruptcy during economic shocks

CONCLUSION

The findings reveal that internal control within the assisted weaving groups in Lando Village has not evolved into a formalized system. The lived experiences of the weavers reveal that these practices remain deeply informal, traditional, and reactive, relying heavily on the personal narratives and leadership roles of the group leaders. The thematic analysis shows that the control environment lacks foundational strength due to the non-operational management structure. The analysis demonstrates that risk assessment is conducted intuitively rather than systematically. Control activities are

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predominantly observed in the production sphere, while financial controls remain contextually weak. Participant narratives highlight that information and communication systems are inadequate for transparency. Monitoring functions remain unstructured, reflecting the unique contextual realities of the community.

The data reflect how these informal control practices cascade into significant implications for the business sustainability of the weaving MSMEs. Participant accounts reveal that income instability is a constant struggle, heavily dependent on external orders. The findings expose a critical capital scarcity, rooted in the sociocultural habit of commingling business and household funds. Informants described disrupted production continuity caused by capital constraints and their dual roles as weavers and homemakers. The study uncovers a passive business resilience, where the weavers navigate market fluctuations without a long-term vision or structured contingency plans, relying instead on their immediate socio-economic coping mechanisms.

Contextual findings provide a nuanced understanding of how fragile internal control directly impacts the unoptimized potential of the weaving business as the backbone of the regional economy. Rich descriptions from the field contextualize the low contribution of the weaving processing industry to the Gross Regional Domestic Product (GRDP) of Manggarai Regency, which stands at a mere 0.43%. Evidence suggests that the micro-level vulnerabilities experienced by the weavers significantly contribute to this broader macro-economic phenomenon.

The study acknowledges its limitations, specifically its focus on only three assisted weaving groups within a single village over a relatively short timeframe. Findings emphasize transferability rather than statistical generalization. Future researchers are encouraged to employ longitudinal designs to capture the dynamic evolution of internal control practices and the contextual shifts following external interventions. The future research encouraged to consider mixed-methods approaches. Integrating quantitative instruments can complement these insights, allowing for a broader exploration of the relationship between internal control and going concern across diverse weaving tourism villages, thereby enhancing the depth and applicability of the research.

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