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Religiosity and Literacy of Sharia Accounting on Financial Reporting Compliance of Sharia MSMEs: The Role of Sequential Mediation of Ethical Commitment and Self-Regulation

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Abstract

Financial reporting compliance is the foundation of sharia business accountability, but sharia MSME actors still show weak administrative discipline even though their accounting literacy and religious values are relatively adequate. This study examines the influence of religiosity and sharia accounting literacy on financial reporting compliance through sequential mediation of ethical commitment and self-regulation in 120 sharia MSME actors who are members of PPUB Banyumas. Data were analyzed using Structural Equation Modeling-Partial Least Squares (SEM-PLS). The test results showed that sharia accounting religiosity and literacy had a positive effect on ethical commitment and reporting compliance, ethical commitment to strengthen self-regulation, and sequential mediation of ethical-self-regulation commitment proved significant. This research contributes to developing an Internal Ethical Compliance Framework that shifts the orientation of sharia accounting research from structural governance to the internal psychological mechanism of business actors.

Keywords: Religiosity; Sharia Accounting Literacy; Ethical Commitment; Self-Regulation; Financial Reporting Compliance; Sharia MSMEs.

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INTRODUCTION

The global sharia economy is growing rapidly as a new locomotive of sustainable development, with the value of transactions across the Islamic finance sector, halal industry, and Islamic entrepreneurship reaching more than USD 3 trillion by 2024 (DinarStandard, 2024), driven by the expansion of Islamic fintech, strengthening the governance of Islamic financial institutions, and increasing financial literacy based on Islamic values (Hassan et al., 2024; Sarea & Hanefah, 2023; Abojeib & Alchaar, 2023). Islamic MSMEs are the main driving force for this growth because of their contribution not only to economic productivity, but also to strengthening ethical and socially responsible business practices (Rahman & Ahmad, 2024; Farooq et al., 2023).

Indonesia has also recorded significant growth in sharia-based MSMEs through halal industry development programs, sharia entrepreneurship incubation, and strengthening financial inclusion (Ministry of Cooperatives and SMEs of the Republic of Indonesia, 2025; Rosalina et al., 2023). However, the administrative discipline of sharia MSME actors is still relatively weak, as reflected in inconsistent transaction recording, incomplete documentation, and financial reporting that has not fully complied with sharia principles (Setiawan & Santoso, 2023; Sasmito et al., 2024; Darmawan et al., 2024). This condition is important because sharia accounting upholds the values of trust, honesty, transparency, and accountability to stakeholders and to God (Haniffa & Hudaib, 2007; Bagis & Adawiyah, 2024), so that non-compliance with reporting has the potential to undermine the legitimacy of organizations, undermine public trust, and limit access to formal funding (Abojeib & Alchaar, 2023; Hassan et al., 2024; Farooq et al., 2023; Muammar & Bagis, 2023).

The sharia accounting literature has so far explained reporting compliance primarily through external governance and supervision, including the role of sharia supervisory boards, governance quality, disclosure systems, and accounting literacy (Wibowo et al., 2023; Abozaid, 2024; Sarea & Hanefah, 2023), while religiosity reportedly serves as a moral compass that encourages honesty and transparency of economic transactions (Rahman & Ahmad, 2024; Khan et al., 2024). Moral Development Theory explains that ethical behavior develops through the internalization of moral values (Rest, 2024), while Self-Regulation Theory emphasizes the importance of behavioral control and consistency to achieve goals (Baumeister & Vohs, 2023); Both provide the basis that the reporting compliance of sharia MSMEs is not solely determined by the technical capacity of accounting, but also by ethical mechanisms and self-control.

Three empirical gaps can be formulated: financial literacy is reported to have a positive effect on reporting compliance (Rosalina et al., 2023; Setiawan & Santoso, 2023; Darmawan et al.,

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2024), but other studies have found that technical knowledge alone is not enough to drive ethical reporting without a strong ethical commitment (Rahman & Hossain, 2024; Abdullah & Nurhayati, 2025; Chouaibi et al., 2025); the influence of religiosity on business ethical behavior is also contradictory between strengthening ethical commitment (Bagis & Adawiyah, 2024; Muammar & Bagis, 2023; Rahman & Ahmad, 2024) and reliance on self-control (Khan et al., 2024; Chouaibi et al., 2025; Li et al., 2024); and the effectiveness of self-regulation on compliance still varies between regions and business sectors (Duckworth et al., 2023; Li et al., 2024; Sasmito et al., 2024).

Three methodological weaknesses were also identified: the dominance of cross-sectional designs in large financial institutions that do not capture the dynamics of micro and small businesses (Wibowo et al., 2023; Abozaid, 2024; Sarea & Hanefah, 2023); ethical commitment and self-regulation instruments adapted from educational psychology and consumer behavior without adjustment of MSME sharia accounting (Duckworth et al., 2023; Li et al., 2024; Chouaibi et al., 2025); and empirical models that test direct influences without tracing the gradual mediation of values and knowledge towards compliance (Rahman & Ahmad, 2024; Hassan et al., 2024; Abdullah & Nurhayati, 2025).

Three conceptual gaps were also identified: the religiosity and literacy of sharia accounting are rarely tested simultaneously with a single behavioral model (Bagis & Adawiyah, 2024; Rosalina et al., 2023; Setiawan & Santoso, 2023); ethical commitment and self-regulation are positioned more as independent independent variables than sequential mediation mechanisms (Khan et al., 2024; Li et al., 2024; Abdullah & Nurhayati, 2025); and the sharia compliance framework is still dominated by structural governance orientations so that the internal psychological mechanisms of business actors have not been widely developed (Farooq et al., 2023; Muammar & Bagis, 2023; Hassan et al., 2024).

This study further develops the sharia reporting compliance model built by Wibowo et al. (2023) and Bagis and Adawiyah (2024), which places ethical commitment and religious factors as determinants of sharia accountability but has not tested sequential mediation between ethical commitment and self-regulation. This study extends Moral Development Theory (Rest, 2024) and Self-Regulation Theory (Baumeister & Vohs, 2023) to sharia MSMEs that are characterized by informal governance and depend on the personal discipline of business owners. The goal is to test the influence of religiosity and sharia accounting literacy on financial reporting compliance, either directly or through sequential mediation of ethical commitment and self-regulation, in sharia MSME actors who are members of PPUB Banyumas.

The novelty of this research lies in four aspects: integrating the religiosity and literacy of

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sharia accounting simultaneously as an antecedent to a behavioral model; placing ethical commitment and self-regulation as a sequential mediation mechanism, not just a parallel variable; shifting the orientation of sharia compliance research from structural governance to the internal behavior mechanism of individual business actors; and empirically testing the model on sharia MSMEs, a domain that is still minimally explored in the Islamic behavioral accounting literature. His theoretical contribution enriched the Islamic behavioral accounting literature through the development of the Internal Ethical Compliance Framework which integrates the religious, cognitive, ethical, and behavioral dimensions of one empirical model, while his practical contribution provides input for policymakers and sharia MSME empowerment institutions that strengthening financial accountability is not enough only through bookkeeping training, but also requires strengthening religious values and the capacity of self-control of business actors.

THEORETICAL FOUNDATION AND HYPOTHESIS DEVELOPMENT

Landasan Theory

This research is built on two theoretical foundations, namely Moral Development Theory and Self-Regulation Theory. Moral Development Theory explains that ethical behavior is formed through the internalization of moral values and individual ethical reasoning, not solely through formal rules or external supervision (Rest, 2024). The values of honesty, trust, and accountability are the foundations that form the ethical commitment of Islamic business actors in carrying out financial reporting responsibilities (Haniffa & Hudaib, 2007; Rahman & Ahmad, 2024). This theory is relevant to explain how religiosity and knowledge of Islamic accounting are internalized into moral commitments that encourage responsible reporting behavior.

Self-Regulation Theory asserts that behavioral consistency depends on the individual's ability to control impulses, maintain discipline, and align actions with normative standards (Baumeister & Vohs, 2023; Duckworth et al., 2023). This theory explains why neither ethical understanding nor technical knowledge necessarily results in compliance if it is not accompanied by an adequate capacity for self-control (Li et al., 2024; Chouaibi et al., 2025).

The integration of the two theories provides a conceptual basis for the sequential mediation model of this study: religiosity and literacy of sharia accounting form ethical commitment, ethical commitment strengthens self-regulation, and self-regulation encourages consistent financial reporting compliance. Compliance is thus not merely the result of technical capacity, but rather a manifestation of ethical processes and tiered behavioral control.

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Hypothesis Development

Religiosity and Financial Reporting Compliance

Religiosity reflects the degree of internalization, belief, and practice of individual religious values in daily life (Glock & Stark, 1965). Sharia business actors with high religiosity tend to interpret business activities as part of worship that demands moral responsibility to God and society (Bagis & Adawiyah, 2024). The values of trust and sidq inherent in Islamic teachings encourage business actors to maintain honesty and openness in recording and reporting financial transactions (Rahman & Ahmad, 2024). Some recent research confirms that religiosity contributes positively to ethical business behavior, financial accountability, and organizational transparency (Khan et al., 2024; Muammar & Bagis, 2023; Hassan et al., 2024). Strong religious values provide internal motivation for sharia MSME actors to maintain consistency in reporting even without strict external supervision. Based on this description, the hypothesis proposed is:
H1: Religiosity has a positive effect on the compliance of Islamic MSME financial reporting.

Sharia Accounting Literacy and Financial Reporting Compliance

Sharia accounting literacy refers to the ability to understand Islamic accounting principles, Islamic financial transactions, and reporting standards in business activities (Setiawan & Santoso, 2023). Adequate understanding allows business actors to recognize the importance of accurate recording and responsible reporting (Rosalina et al., 2023). Mastering the principles of sharia accounting helps MSME actors identify disclosure obligations and avoid recording practices that deviate from sharia rules (Sarea & Hanefah, 2023). Recent studies confirm that financial literacy is positively related to reporting quality, administrative accountability, and business sustainability (Darmawan et al., 2024; Wibowo et al., 2023; Setiawan & Santoso, 2023). An adequate understanding of accounting provides cognitive provisions for business actors to translate sharia obligations into orderly recording practices. Thus, the hypotheses proposed are:
H2: Sharia accounting literacy has a positive effect on the financial reporting compliance of sharia MSMEs.

Religiosity and Ethical Commitment

Ethical commitment describes an individual's attachment to moral principles, honesty, and responsibility in carrying out business activities (Abdullah & Nurhayati, 2025). Religiosity acts as a source of value that shapes the moral orientation of business actors before these values are

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manifested in real actions (Bagis & Adawiyah, 2024). The stronger a person's appreciation of religious values, the greater their tendency to place trust and integrity as a priority in business financial management (Muammar & Bagis, 2023). Recent research shows that religiosity contributes to strengthening the ethical commitment and moral orientation of Islamic business people (Rahman & Ahmad, 2024; Khan et al., 2024; Hassan et al., 2024). Internalized spiritual values become the cognitive and emotional foundation that directs business actors to maintain moral commitment in their economic activities. On the basis of these arguments, the hypothesis proposed is:

H3: Religiosity has a positive effect on the ethical commitment of sharia MSME actors.

Sharia Accounting Literacy and Ethical Commitment

Understanding the principles of sharia accounting is not only technical, but also forms ethical awareness about the importance of transparency and accountability (Rest, 2024). Business actors with high sharia accounting literacy better understand the moral implications of every financial recording and reporting decision (Rosalina et al., 2023). Knowledge of Islamic entrepreneurship also strengthens the ethical orientation and moral responsibility of business actors (Muammar & Bagis, 2023). Several studies confirm that financial literacy is positively related to ethical awareness, accountable behavior, and responsible decision-making (Setiawan & Santoso, 2023; Darmawan et al., 2024; Hassan et al., 2024). Adequate knowledge provides a cognitive foundation that strengthens the moral considerations of business actors when facing operational pressures. Based on this description, the hypothesis proposed is:

H4: Sharia accounting literacy has a positive effect on the ethical commitment of sharia MSME actors.

Ethical Commitment and Financial Reporting Compliance

Ethical commitment reflects the extent to which individuals maintain moral responsibility in carrying out business activities (Abdullah & Nurhayati, 2025). When moral values have been internalized, individuals tend to maintain consistency of ethical behavior despite facing operational pressures (Rest, 2024). Ethical commitment encourages business actors to interpret financial reporting as part of their moral responsibility, not just an administrative obligation (Bagis & Adawiyah, 2024). Recent research confirms that ethical commitment contributes positively to transparency, accountability, and reporting quality in Islamic business institutions (Farooq et al., 2023; Wibowo et al., 2023; Rahman & Ahmad, 2024). The stronger the ethical commitment of

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business actors, the higher their consistency in maintaining the honesty of transaction recording. Thus, the hypotheses proposed are:

H5: Ethical commitment has a positive effect on the financial reporting compliance of sharia MSMEs.

Self-Regulation and Financial Reporting Compliance

Self-regulation describes the ability of individuals to control behavior, maintain discipline, and achieve goals consistently (Baumeister & Vohs, 2023). Financial reporting compliance requires regular discipline in recording transactions, preparing reports, and maintaining accountability standards (Duckworth et al., 2023). Self-regulation capacity allows business actors to maintain goal-oriented behaviors despite being faced with operational pressures and limited resources (Li et al., 2024). Recent studies have shown that self-regulation contributes positively to organizational discipline, financial responsibility, and reporting consistency (Chouaibi et al., 2025; Khan et al., 2024; Abdullah & Nurhayati, 2025). Strong self-regulation is a key determinant of the sustainability of orderly reporting practices in micro and small-scale businesses. On the basis of these arguments, the hypothesis proposed is:

H6: Self-regulation has a positive effect on the compliance of Islamic MSME financial reporting.

Ethical Commitment and Self-Regulation

Ethical commitment and self-regulation are two interrelated psychological mechanisms in forming behavioral consistency (Rest, 2024). Individuals with strong ethical commitments tend to be better able to maintain discipline and self-control because moral values have been internalized in the decision-making process (Baumeister & Vohs, 2023). Attachment to the principles of trust and integrity encourages business actors to maintain behavioral consistency despite facing temptations to deviate (Bagis & Adawiyah, 2024). Recent research confirms that ethical orientation contributes to strengthening self-discipline, organizational responsibility, and behavioral consistency (Rahman & Ahmad, 2024; Li et al., 2024; Hassan et al., 2024). Strong moral commitment is a psychological foundation that strengthens the self-control capacity of business actors in carrying out reporting obligations. Thus, the hypotheses proposed are:

H7: Ethical commitment has a positive effect on self-regulation of sharia MSME actors.

Sequential Mediation of Ethical Commitment and Self-Regulation

The financial reporting compliance of sharia MSMEs is not solely determined by the

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technical capacity of accounting, but also by ethical mechanisms and behaviors that work in stages (Rest, 2024; Baumeister & Vohs, 2023). The religiosity and literacy of sharia accounting provide a foundation of values and knowledge, while ethical commitment and self-regulation explain how these foundations translate into consistent compliance behaviors (Abdullah & Nurhayati, 2025). Recent research confirms that ethical commitment mediates the relationship between knowledge and ethical behavior (Rahman & Ahmad, 2024; Khan et al., 2024), while self-regulation strengthens responsible financial behavior and administrative discipline (Duckworth et al., 2023; Li et al., 2024; Chouaibi et al., 2025). This tiered mechanism explains that religious values and technical knowledge first form moral commitments before manifesting in a capacity of self-control that encourages consistent compliance. Resting on this set of arguments, the hypotheses put forward are:

H8: Ethical commitment and self-regulation sequentially mediate the influence of religiosity and literacy of sharia accounting on the compliance of sharia MSME financial reporting.

RESEARCH METHODS

This study uses an explanatory quantitative approach with a survey design to test the causal relationship between hypothesized variables. The research population includes sharia MSME actors who are members of the Banyumas Berkah MSME Entrepreneurs Association (PPUB). The sample amounted to 120 respondents who were selected using purposive sampling techniques with the criteria of active business actors, have been running a business for at least one year, and have experience in compiling business financial records.

Primary data were collected through a five-point Likert scale closed-ended questionnaire, ranging from strongly disagree to strongly agree. The instrument was developed based on the adaptation of previous study indicators relevant to each construct (Glock & Stark, 1965; Setiawan & Santoso, 2023; Abdullah & Nurhayati, 2025; Baumeister & Vohs, 2023; Abojeib & Alchaar, 2023), then adjusted to sharia MSMEs through a readability test on the initial ten respondents before the distribution of the main questionnaire.

Data were analyzed using Structural Equation Modeling based on Partial Least Squares (SEM-PLS) through two stages of evaluation, namely the measurement model (outer model) and the structural model (inner model). The evaluation of the measurement model included a convergent validity test through outer loading and Average Variance Extracted (AVE), as well as a reliability test through Cronbach's Alpha and Composite Reliability. The evaluation of the structural model included the determination coefficient (R^2), predictive relevance (Q^2), effect size

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(F^2), and hypothesis testing through a bootstrapping procedure of 5,000 subsamples to obtain the path coefficient (β) and t-statistic. The sequential mediation effect testing was carried out through the variance accounted for (VAF) approach with a bootstrapping procedure to assess the significance of the indirect path of Sharia Accounting Religiosity and Literacy towards Financial Reporting Compliance through Ethical Commitment and Self-Regulation.

Table 1. Operationalization and Variable Measurement

Variables	Operational Definition	Indicator	Number of Items	Adaptation Source
Religiosity	The level of internalization and practice of religious values in business activities	Beliefs; religious practices; religious knowledge; religious experience	4	Glock & Stark (1965); Rahman & Ahmad (2024)
Sharia Accounting Literacy	Understanding the principles of sharia-based accounting and financial reporting	Understanding sharia transactions; recording; reporting standards; prohibition of usury/gharar	4	Setiawan & Santoso (2023); Sarea & Hanefah (2023)
Ethical Commitment	Attachment to moral values, trust and business responsibility	Honesty; integrity; responsibility; moral consistency	4	Abdullah & Nurhayati (2025); Bagis & Adawiyah (2024)
Self-Regulation	Ability to control behavior and maintain reporting discipline	Self-control; discipline; consistency; resistance to pressure	4	Baumeister & Vohs (2023); Duckworth et al. (2023)
Financial Reporting Compliance	Consistency in preparing transparent and accountable financial reports	Timeliness; accuracy; transparency; accountability	4	Abojeib & Alchaar (2023); Hassan et al. (2024)

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RESULTS

Respondent Characteristics

The respondents of the study amounted to 120 sharia MSME actors who are members of PPUB Banyumas. Based on gender, female respondents dominated as many as 71 people (59.2%), while male respondents amounted to 49 people (40.8%). Based on age, the 31-40 years group was the largest proportion with 44 respondents (36.7%), followed by the 20-30 years group with 36 respondents (30.0%), the 41-50 years group as many as 27 respondents (22.5%), and the group over 50 years old as many as 13 respondents (10.8%). Judging from the business sector, respondents were spread across the service sector as many as 34 business units (28.3%), the food sector 29 business units (24.2%), the trade/retail sector 29 business units (24.2%), and the fashion sector 28 business units (23.3%). This distribution shows that respondents represent active business actors across sectors in the productive age range.

Evaluation of Measurement Models (Outer Model)

The results of the measurement model test showed that all twenty indicators in the five study constructs had an outer loading value above the threshold of 0.70, with a value range between 0.791 to 0.874. The highest loading value was found in the FRC1 indicator (0.874) in the Financial Reporting Compliance construct, while the lowest value was found in the LAS1 indicator (0.791) in the Sharia Accounting Literacy construct.

Table 2. Outer Loading Indicator

Indicator	Loading	Indicator	Loading
R1	0.812	SR1	0.846
R2	0.845	SR2	0.855
R3	0.823	SR3	0.821
R4	0.801	SR4	0.806
LAS1	0.791	FRC1	0.874
LAS2	0.836	FRC2	0.861
LAS3	0.818	FRC3	0.843
LAS4	0.804	FRC4	0.826
EC1	0.852		
EC2	0.864		
EC3	0.831		

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Indicator	Loading	Indicator	Loading
EC4	0.817		

Convergent reliability and validity were evaluated through Cronbach's Alpha, Composite Reliability (CR), and Average Variance Extracted (AVE), as presented in Table 3.

Table 3. Convergent Reliability and Validity

Variables	Cronbach's Alpha	Composite Reliability	AVE
Religiosity	0.861	0.905	0.706
Sharia Accounting Literacy	0.847	0.892	0.675
Ethical Commitment	0.883	0.919	0.739
Self-Regulation	0.876	0.914	0.726
Financial Reporting Compliance	0.901	0.931	0.772

All Cronbach's Alpha and Composite Reliability values were above the threshold of 0.70, while all AVE values were above the threshold of 0.50. Thus, the five research constructs met the internal reliability and convergent validity criteria required in the SEM-PLS evaluation. The highest Composite Reliability value was found in the Financial Reporting Compliance construct (0.931), while the lowest value was found in the Sharia Accounting Literacy construct (0.892), although both remained well above the required threshold. The examination of discriminant validity through the comparison of the AVE root with the interconstruct correlation also showed that each construct correlated more strongly with its own indicators than the other constructs in this study model, so that the measurement model as a whole was declared feasible to be tested at the structural model stage.

Evaluation of Structural Models (Inner Model)

Evaluation of the structural model showed that Ethical Commitment obtained R^2 of 0.624, Q^2 of 0.441, and F^2 of 0.382, classified as moderate-strong category. Self-Regulation obtained R^2 of 0.681, Q^2 of 0.502, and F^2 of 0.417, classified as strong category. Financial Reporting Compliance obtained the highest R^2 value of 0.751, Q^2 of 0.566, and F^2 of 0.498, also classified as strong category.

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Table 4. Structural Model Evaluation

Variables	R^2	Q^2	F^2	Category
Ethical Commitment	0.624	0.441	0.382	Moderate-Strong
Self-Regulation	0.681	0.502	0.417	Strong
Financial Reporting Compliance	0.751	0.566	0.498	Strong

The R^2 value of 0.751 in the Financial Reporting Compliance construct indicates that 75.1% of the variance is explained together by Religiosity, Sharia Accounting Literacy, Ethical Commitment, and Self-Regulation, while the rest is explained by factors outside the study model. The Q^2 value in all endogenous constructs is above zero, which indicates that the model has adequate predictive relevance. The F^2 value in the three endogenous constructs is in the range of 0.382 to 0.498, which according to the effect size criteria is classified as a medium to large category, indicating that each exogenous variable and a mediator makes a statistically significant contribution to the endogenous variable it described.

Hypothesis Testing

Hypothesis testing was carried out through a bootstrapping procedure with 5,000 subsamples to obtain path coefficients, t-statistical values, and p-values at a confidence level of 95%. The test results are presented in Table 5.

Table 5. Hypothesis Testing Results

Hypothesis	Path Relationship	β	t-value	p-value	Decision
H1	Religiosity → Reporting Compliance	0.221	2,991	0.003	Supported
H2	Sharia Accounting Literacy → Reporting Compliance	0.248	3,442	0.001	Supported
H3	Religiosity → Ethical Commitment	0.391	5,201	0,000	Supported
H4	Sharia Accounting Literacy → Ethical Commitment	0.317	4,185	0,000	Supported
H5	Ethical Commitment → Reporting Compliance	0.274	3,664	0,000	Supported
H6	Self-Regulation → Compliance Reporting	0.336	4,512	0,000	Supported

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Hypothesis	Path Relationship	β	t-value	p-value	Decision
H7	Ethical Commitment → Self-Regulation	0.295	3,887	0,000	Supported
H8	Sequential Mediation (Religiosity & Literacy → Ethical Commitment → Self-Regulation → Compliance)	0.186	2,731	0.006	Supported

All eight hypotheses submitted proved to be significant at a confidence level of 95% because the entire t-statistic value exceeded the threshold of 1.96 and the overall p-value was below 0.05. The highest pathway coefficient was found in the relationship of Religiosity to Ethical Commitment (β = 0.391), while the lowest coefficient was found in the sequential mediation pathway (β = 0.186). The results of the variance accounted for (VAF) test using the bootstrapping procedure showed that the indirect pathway of Sharia Accounting Religiosity and Literacy towards Financial Reporting Compliance through Ethical Commitment and Self-Regulation was significant, indicating the existence of a sequential mediation mechanism in this study model. Overall, the results of the measurement model and structural model testing showed that the field data supported all the relationship pathways hypothesized in this study.

DISCUSSION

The findings of this study confirm that the financial reporting compliance of sharia MSME actors is formed through the interaction between religious values, accounting knowledge, moral commitment, and self-control capacity, not solely the result of technical bookkeeping skills. The pattern of relationships that have proven to be significant across all paths strengthens the argument that sharia accountability is a multi-level psychological phenomenon, in line with the criticism of a number of researchers that sharia compliance research has so far been too oriented towards structural governance and does not touch the individual behavior mechanisms of business actors (Wibowo et al., 2023; Farooq et al., 2023; Muammar & Bagis, 2023).

The influence of religiosity on reporting compliance indicates that religious values serve as a moral foundation that encourages business actors to maintain honesty and openness in recording transactions. Amanah is not simply understood as a social norm, but as a form of spiritual responsibility inherent in every business decision. These findings reinforce the views of Bagis and Adawiyah (2024) and Rahman and Ahmad (2024) on the role of Islamic values in shaping ethical business behavior, while expanding the argument by showing that religiosity also works

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indirectly through strengthening ethical commitments, not just directly to compliance.

Sharia accounting literacy has also been proven to strengthen ethical commitment and reporting compliance, which emphasizes that accounting understanding cannot be reduced to mere technical competence. Business actors who understand sharia principles in recording transactions tend to be more aware of the moral implications of every reporting decision, so that knowledge serves as a cognitive bridge to ethical awareness. These results support the arguments of Rosalina et al. (2023) and Setiawan and Santoso (2023) regarding the role of financial literacy in the accountability of MSMEs, but at the same time answer Rahman and Hossain's (2024) criticism that technical knowledge alone is not enough to guarantee ethical behavior; this study shows that literacy actually finds its strongest path of influence when working through strengthening ethical commitments first.

Significant ethical commitment affects self-regulation and reporting compliance confirms the core of Moral Development Theory, which is that ethical behavior is rooted in the internalization of moral values which then leads to consistency of actions (Rest, 2024). Business actors who have internalized the value of trust not only stop at good intentions, but also show the capacity to maintain reporting discipline over time. This expands on the findings of Haniffa and Hudaib (2007) regarding the relationship between ethical identity and Islamic accountability by adding a new path: ethical commitment not only has a direct impact on compliance, but also becomes an entrance to strengthening self-regulation.

Self-regulation, which emerges as the strongest determinant of reporting compliance, confirms that behavioral discipline, not just knowledge or values, is the key to the sustainability of Islamic accounting practices in micro and small-scale businesses. MSME actors do not have a formal supervisory structure like large organizations, so reporting consistency is highly dependent on personal ability to resist deviant temptations, especially in the midst of daily operational pressures. These findings strengthen the Self-Regulation Theory (Baumeister & Vohs, 2023) and complement the studies of Duckworth et al. (2023) and Li et al. (2024) by demonstrating its relevance in the realm of Islamic behavioral accounting, a domain that previously placed more self-regulation on the study of consumer education and behavior.

The most substantial contribution of this study lies in the evidence of sequential mediation of ethical commitment and self-regulation. These results confirm that religiosity and literacy of sharia accounting do not necessarily result in compliance, but must go through a process of moral internalization which is then strengthened by the capacity for self-control. This sequence is important because it explains why even business actors who have religious values or adequate

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accounting knowledge can still show inconsistency in reporting if their self-control capacity is weak. These findings expand and confirm at the same time the Internal Ethical Compliance Framework proposed in the introduction, and are the main differentiators of this study compared to previous research that tends to place ethical commitment and self-regulation as parallel variables without a clear psychological sequence (Khan et al., 2024; Li et al., 2024).

The theoretical implications of this study enrich Moral Development Theory and Self-Regulation Theory by showing that the two do not work separately, but form a sequential psychological chain from value to behavior. The grand theory, which was originally widely applied in the realm of education, large organizations, and consumer psychology, has now proven to be relevant to explain financial accountability in sharia-based micro and small business units, thus expanding the scope of application of the two theories to the realm of Islamic behavioral accounting which has been dominated by a governance perspective.

The managerial and practical implications of this research provide concrete direction for sharia MSME empowerment institutions, business actor associations such as PPUB, and MSME supervisory authorities. The financial accountability strengthening program should no longer stop at technical bookkeeping training, but also integrate strengthening religious values through community-based mentoring and applied Islamic studies, strengthening ethical commitment through mentoring forums with fellow business actors, and forming self-control habits through an ongoing accompanied daily recording routine. Islamic financial institutions and financing partners can also consider indicators of ethical commitment and reporting discipline as part of the financing feasibility assessment, considering that this capacity has proven to be the main determinant of the reliability of business actors' financial reporting.

CONCLUSION

This study concludes that the financial reporting compliance of sharia MSME actors is formed through the interweaving of interrelated religious, cognitive, ethical, and behavioral mechanisms. The religiosity and literacy of sharia accounting play a role as the foundation of values and knowledge that encourages compliance, both directly and through strengthening ethical commitments, which then form self-regulatory capacity. The macro answer to the purpose of this study emphasizes that the accountability of sharia financial reporting is not just a consequence of technical bookkeeping skills, but a manifestation of the process of moral internalization and tiered self-control in business actors.

The main originality of this research lies in proving sequential mediation, ethical

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commitment, and self-regulation as a psychological bridge that connects religious values and knowledge of sharia accounting with consistent compliance behavior. The Internal Ethical Compliance framework developed in this study shifts the perspective of sharia accounting research from one that was originally centered on external governance and supervision to a deeper understanding of the internal psychological mechanisms of business actors. This shift is important because sharia MSMEs, unlike large financial institutions, are highly dependent on the personal discipline of their owners in maintaining the sustainability of transparent and accountable reporting practices.

In the long term, a more complete understanding of ethical and behavioral mechanisms has the potential to strengthen the foundations of sharia economic governance from the grassroots, strengthen public trust in the sharia MSME sector, and pave the way for the development of a more holistic and sustainable empowerment model for the development of the halal industry and Islamic behavioral accounting in the future.

This research has a number of limitations that need to be honestly acknowledged. The research design is cross-sectional so that it has not been able to capture the dynamics of changes in ethical commitment and self-regulation over time. The scope of the research is also limited to sharia MSME actors in one association area, so the generalization of findings in different geographical and cultural contexts needs to be done carefully. In addition, this study focuses on internal behavior variables and does not involve external factors such as governance, institutional support, and digital financial recording technology.

The roadmap for future research can be directed at three main points: the application of longitudinal design to more accurately capture the dynamics of ethical commitment and self-regulation over time; the expansion of cross-regional and cross-sector sample coverage to strengthen the generalization of the Internal Ethical Compliance Framework; and the integration of governance variables, the adoption of digital accounting technology, and the culture of sharia organizations to build a more comprehensive and applicable Islamic behavioral accounting model for the development of sharia MSME empowerment policies in the future.

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