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The quality of financial reporting, accounting errors and fraud, and the sustainability of SMEs: an empirical analysis of SMEs in Kinshasa, Democratic Republic of the Congo

SHAMBA MBOSHAMBA Théophile[1,2]

[1]DEA/Master's student, Faculty of Economics and Management (FASEG), Department of Management Sciences, Specialisation: Accounting and Auditing, University of Kinshasa

[2]Senior Lecturer at the Higher Institute of Social Studies in Kananga (ISES/Kga), Kasaï Central Province, Democratic Republic of the Congo, theophileshamba@gmail.com

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ABSTRACT

Small and medium-sized enterprises (SMEs) in the Democratic Republic of the Congo remain constantly exposed to accounting errors and fraud. If left undetected, these irregularities can undermine the reliability of financial information, lead to a biased representation of the entity's financial position, encourage inappropriate decision-making and jeopardise their long-term viability.

The aim of this research is to empirically analyse the relationships between the quality of financial reporting, accounting errors and fraud, detection and prevention mechanisms, and the sustainability of SMEs in the context of the city of Kinshasa. To achieve this aim, a mixed-methods approach was adopted. The qualitative study was conducted with six chartered accountants, whilst the quantitative survey involved 113 respondents from the audited SMEs.

The results obtained demonstrate the existence of several accounting irregularities in SMEs. They also indicate that detection and prevention mechanisms do indeed contribute to improving the quality of financial reporting, which in turn has a significant positive effect on the sustainability of SMEs.

Keywords: financial reporting, quality of financial reporting, accounting errors, accounting fraud, detection and prevention mechanisms, sustainability of SMEs, Kinshasa.

Introduction

Small and medium-sized enterprises (SMEs) play a crucial role in the economic and social development of developing countries. In the Democratic Republic of the Congo (DRC), they represent a significant part of the economic fabric, contributing substantially to job creation, value creation, poverty reduction and the improvement of people's living conditions (Kalubi, R, 2025; Mashauri, J. L., 2025).

Statistics from the Directorate-General of Taxes show that SMEs account for around 98 per cent of taxpayers in the formal sector listed in the national business register, with over 67,000 registered businesses. The city-province of Kinshasa alone is home to 4,036 medium-sized enterprises and 15,718 small enterprises, representing nearly 30 per cent of the national total (DGI, Annual Report, 2025).

Numerous SMEs are established each year, but some disappear within the first few years of their creation, whilst few manage to reach maturity. Their sustainability is often threatened due to their high vulnerability to organisational and financial failures (Omandji, 2022). From a management perspective, these businesses are constantly and repeatedly confronted with various forms of accounting errors and fraud (Mitchell, Reid & Smith, 2000; Sian & Roberts, 2009).

The management literature emphasises that the going concern of SMEs depends largely on the quality and relevance of the accounting and financial information made available to managers for decision-making (Beaver, 1966; Altman, 1968; Schatt, A., 2001, Majda, 2017). The revised OHADA Uniform Act emphasises the obligation of transparency and regularity in the keeping of accounting records. Article 3 requires the entities concerned to produce information that is truthful, regular and transparent (AU OHADA, 2017).

The presence of accounting errors or fraud can reduce the quality of financial reporting and limit its usefulness to users. Such anomalies can lead to a misjudgement of the entity's economic situation, an inefficient use of available resources, a gradual deterioration in the company's financial health, and decision-making that is out of step with economic realities, which may threaten the entity's long-term viability.

In this context, accounting errors constitute an often-underestimated risk, even though they can affect the reliability of financial statements and steer managerial decisions towards inefficient choices (Shamba, 2026), leading to a misallocation of resources and undermining the sustainability of businesses (Van & Carraher, 2013).

Several studies have shown that accounting errors, although unintentional, can have consequences comparable to those of fraud in terms of distorting financial information, misallocating resources and increasing the risk of business failure (DeFond & Zhang, 2014; Doyle, Ge, & McVay, 2007; Djongoué G, 2008; Djongoué, G, 2015). In SMEs, these errors are generally attributed to a lack of accounting skills, weak internal control systems and poorly structured financial reporting arrangements. In many cases, accounts are kept primarily to meet tax obligations, to the detriment of their informational function (Mitchell, Reid, & Smith, 2000; Sian & Roberts, 2009; Wells, 2017; Button et al., 2007).

In response to these risks, various detection and prevention mechanisms have been proposed in the literature: internal and external audits, structured internal control systems, training for accounting staff and, more recently, the use of digital tools and specialised accounting software (Oussi Ahmed, 2014, Coram et al., 2008; Ngwakwe, 2012; Kassem & Higson, 2012). Nevertheless, in the case of SMEs, the actual extent to which these mechanisms are adopted, as well as their effectiveness, remain variable and are still poorly documented, particularly in the Congolese context, which is characterised by institutional fragility.

In light of the above, this study seeks to answer the following question: **'To what extent do accounting errors and fraud affect the quality of financial reporting and the sustainability of SMEs in Kinshasa**?'

Our previous article on this subject established a theoretical framework linking accounting errors and fraud, the quality of financial reporting, detection and prevention mechanisms, and the sustainability of SMEs. However, the proposed relationships had not yet been empirically tested. This article builds on that analysis by utilising data collected from SMEs in Kinshasa to test the proposed theoretical relationships against empirical observations.

Its objective is therefore to empirically analyse the relationships between accounting errors and fraud, the quality of financial reporting, detection and prevention mechanisms, and the sustainability of SMEs in Kinshasa.

Apart from the introduction and conclusion, the article is structured as follows: the first section is devoted to the literature review, the second section to the research methodology, and the third section presents the results and discussion.

1. Literature review

1.1. Analysis of key concepts

This first section aims to clarify and define the main concepts that form the core of our study. These include the following concepts: financial reporting, quality of financial reporting, accounting errors, accounting fraud, SMEs and the sustainability of SMEs.

1.1.1. Financial reporting

Financial reporting encompasses all information expressing a company's results, which the company is required to submit periodically (or voluntarily), in the form of financial statements or other formats (Yousef, 2023).

According to Carrière Rigard-Cirison, accounting and financial reporting constitutes a communication mechanism – a process of financial communication – enabling the company to present information relating to its financial health, profitability and performance. It aims to make this information accessible so that users can understand, interpret and analyse the company's economic and financial situation (Carrière, R.C., 2015).

Financial reporting is a process of transferring an entity's financial and non-financial data to external parties. It is usually based on pre-defined procedures. The information is therefore presented in the form of indicators or dashboards (Lusilao, J, 2018).

1.1.2. Quality of financial reporting

The literature on the quality of financial reporting is rooted in an informational and contractual perspective on accounting.

Dechow et al. (2019) define the quality of financial reporting, or the quality of accounting results, as the ability of published figures to faithfully reflect actual economic performance and to predict future cash flows.

Financial information is of high quality when it presents a true and fair view of the underlying actual economic performance and is capable of forecasting future cash flows. Therefore, the closer the results are to economic reality, the higher the quality. The more they are manipulated or erroneous, the lower the quality (Carrière, R.C., 2015).

1.1.3. Accounting errors

An accounting error is an unintentional mistake in an organisation's books or financial statements. Accounting errors arise from omissions, incorrect application of accounting principles, negligence or calculation errors, whereas fraud is motivated by a desire to enrich oneself or to destroy the entity. These may involve accounting documents as well as financial statements, and the effect is to call into question the reliability and, at times, the relevance of the financial information produced (Studysmarter, 2024; Shamba, 2026).

1.1.4. Accounting fraud

In everyday language, the concept of fraud refers to the idea of 'theft', 'swindling' or 'deception' (Mohamed, 2014). And in the field of taxation, the term generally used is tax fraud.

Fraud in general is defined as an 'act of bad faith' carried out with the intention of infringing upon the rights of others, usually for the benefit of the fraudster and/or partners directly linked to the transaction concerned by the acts or conduct committed (Melly, 2006).

Fraud is therefore a concept characterised by a breach of trust, the use of dishonest practices and actions that contravene the organisation's laws and regulations, with the aim of misappropriating assets, cash or confidential data.

Indeed, ISA 240 (International Standards on Auditing) of the IFAC (International Federation of Accountants), which relates to the auditor's responsibilities regarding fraud when auditing financial statements, defines accounting fraud as: 'an intentional act committed by one or more members of management, one or more members of the governing body, one or more employees or third parties to the entity, involving fraudulent manoeuvres with the aim of obtaining an undue or illegal advantage' (ISA 240, 2009).

The following, in particular, are considered to constitute fraud: 'the manipulation, falsification or alteration of accounts or documents; the misappropriation of assets; the suppression or omission of the impact of certain transactions in the accounts or documents; the recording of unfounded or fictitious transactions; the incorrect application of accounting policies; the falsification of valuations; etc." (Kalonji, 2015).

1.1.5. Small and Medium-sized Enterprises (SMEs)

In some countries, a small and medium-sized enterprise is defined according to quantitative criteria relating, in particular, to turnover, the value of its assets and the number of employees. Others refer to qualitative criteria such as legal form, the nature and source of resources, the corporate purpose, the type of technology used, the nature of the owner(s) or employees, management style, organisational structure, etc. This multiplicity of criteria, which is far from achieving unanimity on a definition of an SME, is also confronted with the complexity of its often-stratified categorisation: very small enterprise or micro-enterprise, small enterprise, and small and medium-sized enterprise (Omandji, 2024).

In the Democratic Republic of the Congo, for many years, an SME has been defined differently depending on the strategies and policies put in place. Some of these definitions – whether restrictive, broad or inclusive – are based on criteria such as turnover, total balance sheet value, number of employees, management style and whether the enterprise is formal or informal (Ordinance-Law No. 22/030).

1.2. Theoretical foundations of the study

This research adopts a contractual and informational perspective on the entity. **Agency theory** (Jensen & Meckling, 1976; Fama & Jensen, 1983) views the organisation as a set of relationships between a principal and an agent, characterised by information asymmetries and divergent interests that may give rise to opportunistic behaviour. Within this framework, accounting information plays a central role as a tool for controlling and reducing agency conflicts. Where governance mechanisms are weak, the agent may be incentivised to tailor the production of financial information to suit their own interests, particularly where their remuneration depends on reported results. Harris and Raviv (1991) emphasise that information asymmetry creates an environment conducive to manipulation and sub-optimal decisions. The quality of financial reporting thus becomes a key issue in regulating agency relationships.

Positive accounting theory (Watts & Zimmerman, 1990) extends this analysis by showing that accounting choices result from trade-offs influenced by contractual incentives. Accounting practices are not neutral; they may be guided by specific economic interests. However, the literature also highlights that accounting choices may aim to reduce agency costs and improve organisational efficiency (Holthausen, 1990).

Furthermore, **information systems theory** provides relevant insights into the processes involved in producing accounting information. It highlights the role of information systems in the collection, processing and dissemination of financial data (Romney & Steinbart, 2018). From this perspective, the quality of financial reporting depends not only on the incentives of the actors involved, but also on the reliability of the systems used. Accounting errors may thus result from technical, organisational or human failings affecting the operation of accounting information systems.

The use of these theoretical frameworks is justified by their complementary nature. Agency theory enables the analysis of information asymmetry and opportunistic behaviour; positive accounting theory sheds light on accounting choices based on economic incentives; whilst information systems theory highlights the role of technical and organisational mechanisms in the production of financial information.

1.3. Conceptual framework and hypotheses

1.3.1. Accounting errors/fraud and the quality of financial reporting

The theory of financial reporting is based on the reliability, consistency and fairness of the information produced by the accounting system. According to seminal work on the quality of financial information (Beaver, 1966; Schatt, 2001), relevant accounting information must be free from anomalies that could distort decision-making. However, accounting errors and/or fraud – whether resulting from omissions, incorrect allocations, misvaluations or double-counting – introduce distortions into financial statements, reducing their accuracy and credibility.

In SMEs, these errors are often linked to weak information systems and a lack of accounting expertise (Mitchell et al., 2000; Sian & Roberts, 2009). Agency theory also suggests that information asymmetry is exacerbated when the information produced is of poor quality, which undermines organisational transparency. Thus, the presence of accounting errors and fraud is likely to reduce the quality of financial reporting.

However, whilst this research highlights the impact of accounting anomalies on the reliability of financial information, it remains primarily focused on large firms or formalised contexts. The specific characteristics of SMEs, notably weak information systems and a lack of accounting skills, are still insufficiently taken into account in the analysis of the effects of accounting errors on the quality of financial reporting.

From an agency perspective, information asymmetries and failures in control mechanisms may encourage the emergence of accounting errors, which are likely to undermine the reliability of financial information. Furthermore, information systems theory emphasises that failures in information processing can affect the quality of financial reporting.

H1: Accounting errors and fraud have a negative impact on the quality of financial reporting by SMEs.

1.3.2. Quality of financial reporting and the sustainability of SMEs

The sustainability of SMEs depends largely on the quality of the information used in the decision-making process. The literature highlights that business continuity relies on managers' ability to anticipate financial risks, monitor performance and adapt their strategies to environmental constraints (Mignon, 2001; Thornhill & Amit, 2003; Omandji, 2024). From this perspective, accounting information is a key management tool.

The quality of financial reporting refers to the reliability, relevance and transparency of the information produced by the accounting system. According to Beaver (1966), the usefulness of financial information lies in its ability to reduce uncertainty and improve decision-making. High-quality information thus enables better allocation of resources, more rigorous cash flow management and easier access to finance.

Several studies have highlighted the link between the quality of financial information and organisational stability. Altman (1968) shows that the robustness of financial indicators is crucial in preventing failure. Similarly, Laitinen (1992) emphasises that effective accounting information systems contribute to the early detection of financial difficulties. In SMEs, where safety margins are often limited, inaccurate financial information can lead to inappropriate decisions, jeopardising the firm's survival.

Furthermore, agency theory suggests that the quality of reporting reduces information asymmetries between management and stakeholders, thereby strengthening organisational credibility and trust. This transparency fosters stable relationships with financial and commercial partners, which are essential for long-term viability.

Thus, the quality of financial reporting appears to be a key factor in the sustainability of SMEs, in that it improves decision-making, reduces organisational risk and supports business continuity. This relationship supports the hypothesis that an improvement in the quality of financial reporting contributes positively to the sustainability of SMEs.

According to agency theory, high-quality financial information helps to reduce information asymmetries and improve decision-making, which in turn promotes performance and business continuity. Higher-quality reporting is therefore a key factor in the sustainability of businesses.

H2: The quality of financial reporting has a positive influence on the sustainability of SMEs

1.3.3. Mechanisms for detecting and preventing accounting errors and fraud

Accounting control and structuring mechanisms play a central role in the reliability of financial information. The literature on auditing and internal control emphasises that effective control systems significantly reduce irregularities and improve the quality of reporting (Coram et al., 2008; Doyle et al., 2007).

Furthermore, training and accounting skills help to minimise recording and interpretation errors (Mitchell et al., 2000) and reinforce the formalisation and use of accounting information (Mashauri, J. L., 2025).

Recent developments in accounting information systems also highlight the contribution of digital technologies to the detection and prevention of anomalies. Ngwakwe (2012) emphasises that the use of accounting software enables certain operations to be automated and reduces the risk of human error. According to Afane et al. (2021), African public-sector organisations that have integrated digital accounting management tools have recorded a significant increase in productivity, improved reporting quality and a notable reduction in accounting anomalies. Findings by authors such as DIABATE Karim et al. (2026) reveal that the use of accounting software, the automation of journal entries and the digital securing of data have helped to improve the speed of operations, the traceability of financial flows and the transparency of accounting practices at Energie du Mali. These advances facilitate the work of financial departments and strengthen the internal audit function's ability to detect anomalies and make recommendations that are useful for decision-making.

Recent literature also highlights that, beyond traditional internal control mechanisms, the integration of artificial intelligence technologies into accounting and control functions also offers new opportunities to improve the reliability of financial information. By automating certain accounting tasks and facilitating the analysis of large volumes of data, these tools help to detect anomalies or irregularities in financial reporting processes more effectively (Alles, 2015; d'Issa, Sun and Vasarhelyi, 2016; Vasarhelyi, Kogan & Tuttle, 2015; El-Mrabet et al, 2025). Kokina and Davenport (2017) demonstrate that the application of artificial intelligence to accounting processes improves data quality by reducing human error and strengthening continuous monitoring capabilities.

From this perspective, the use of accounting software and advanced analytical technologies, including artificial intelligence applications, can be seen as a means of enhancing the reliability of financial information. These tools not only help to improve the quality of financial reporting but also mitigate the negative impact of accounting errors on organisational stability. As such, they act as regulatory mechanisms capable of supporting the long-term viability of SMEs.

H3: Detection and prevention mechanisms moderate the relationship between accounting errors and the quality of financial reporting by mitigating the negative effect of accounting errors.

2. Research methodology

2.1. Data collection and analysis methods

In order to rigorously address the study's objectives, this research adopts a sequential exploratory mixed-methods approach. This methodological choice is justified by the aim of combining an exploratory qualitative phase with an explanatory quantitative phase, in order to gain an in-depth understanding of the issue of accounting errors and fraud and their impact on the quality of financial reporting and the sustainability of SMEs.

Initially, a qualitative phase was conducted with six audit and accountancy firms operating in Kinshasa. Semi-structured interviews provided a better understanding of the nature of the significant anomalies identified during audit work, as well as the detection and prevention practices observed in the field.

Subsequently, a quantitative phase was carried out using a purposive sample of SMEs audited by these firms. This phase drew on both a review of audit reports and financial statements, and the administration of a structured questionnaire using a Likert-type scale to accountants, administrative and financial directors, senior managers, and a number of finance department staff.

The data collected were processed and analysed using Excel and SPSS 23 (Statistical Package for the Social Sciences 23), enabling descriptive analyses and econometric tests to be carried out to test the research hypotheses.

2.2. Econometric model selected

Equation (1)**: Multiple linear regression model with moderation effect**

$$QRF = \beta_0 + \beta_1 EFC_i + \beta_2 MDP_i + \beta_3 (EFC_i \times MDP_i) + \varepsilon_i$$

Equation (2)**: Simple linear regression model**

$$PER = \alpha_0 + \alpha_1 QRF_i + \mu_i$$

Where:

QRF = Quality of financial reporting

EFC = Accounting errors and fraud

MDP = Detection and prevention mechanisms

PER = Sustainability

β_0 ($\alpha 0$) = Constancy

ε_i = error term of the first model

μ_i = error term of the second model

i = SME surveyed

3. Results

3.1. Results of the qualitative approach

Interviews conducted with external auditors, based on their experience in the profession, provided information on accounting irregularities observed in SMEs, the detection mechanisms used, and the factors explaining these irregularities. The main results are presented below.

3.1.1. Nature of accounting irregularities

The results of the interviews reveal that the most common irregularities in the audited SMEs are both accounting errors and fraud. The majority of the auditors interviewed highlight the simultaneous presence of both types of irregularities, a situation which generally reflects a weakness in the accounting and financial organisation of SMEs, particularly with regard to the control and monitoring of transactions. In particular, the auditors highlight the frequency of accounting inconsistencies, omissions in recording, fictitious entries, and certain manipulations of the financial statements.

3.1.2. Factors explaining accounting irregularities

According to the auditors interviewed, several factors account for the occurrence of accounting irregularities in SMEs. These include, in particular:

Table 1: Factors explaining accounting irregularities in SMEs

Factors explaining accounting irregularities	Number of respondents
Weak internal controls	5/6
Deliberate manipulation of results	6/6
Tax and financial pressure	5/6
Stress and fatigue	6/6
Low pay	2/6
Pressure to file financial statements by 30 April	2/6

Source: Author, interview findings (2026)

The interviews conducted show that accounting irregularities in SMEs are mainly attributable to weak internal controls, deliberate manipulation of results, and certain financial or organisational pressures. Auditors also cite work-related stress and the pressure of deadlines for submitting financial statements as factors likely to contribute to certain accounting errors. Various factors can give rise to these conditions.

3.2. Results of the quantitative approach

This section presents the results of the quantitative survey conducted amongst SMEs in Kinshasa. It includes descriptive data analysis, reliability tests, correlation analyses, simple and multiple linear regression analyses, as well as cross-tabulation analyses used to test the research hypotheses.

3.2.1. Descriptive statistics of the sample

Table 2: Description of the sample for the quantitative study

Variables	N	Minimum	Maximum	Mean	Standard deviation
EFC	113	1.17	5.00	3.70	0.86
QRF	113	1.80	5.00	3.23	0.71
MDP	113	1.00	5.00	2.64	0.99
P/E	113	1.20	5.00	3.18	0.88

Source: Author, based on survey data processed using SPSS 23

Descriptive statistics reveal that the average for accounting errors and fraud (AEF) is relatively high at 3.70, highlighting a significant presence of anomalies within the SMEs examined. The quality of financial reporting, with an average of 3.23, and business sustainability, at 3.18, are at average levels, suggesting a generally satisfactory situation but one that could still be improved. Furthermore, the moderate standard deviations indicate a relatively low dispersion of responses, thereby reinforcing the consistency of the data collected.

3.2.2. Validation of measurement instruments

Table 3: Results of the reliability test for the scales

Variables	Number of items included	Cronbach's alpha	Interpretation
EFC	6	0.878	Very good reliability
QRF	5	0.789	Good reliability
MDP	1 (MDP2)	0.70	Item 2 selected (Good reliability
PER	5	0.895	Excellent reliability

Source: Author, based on survey data, using SPSS 20

The results of the reliability test show that the scales used generally exhibit good internal consistency. Indeed, the EFC (α = 0.878) and PER (α = 0.895) variables display very good and excellent reliability respectively, whilst the QRF variable (α = 0.789) remains acceptable. By contrast, the MDP variable exhibits low consistency (α = 0.138), which led to the retention of only one item deemed relevant (MDP, α = 0.700). These results confirm the quality of the measurement instruments used for the analysis.

Table 3: Factor validation of constructs: KMO and Bartlett's tests

Variable	**Number of items**	**KMO**	**Bartlett (Sig)**	**Appreciation**
EFC	6	0.781	0.000	Acceptable
QRF	5	0.756	0.000	Acceptable
MDP	6	0.460	0.000	Acceptable
PER	5	0.827	0.000	Acceptable

Source: Author, based on survey data processed using SPSS 20

Table 3 presents the results of the KMO and Bartlett's tests applied to the various constructs in the study. The values obtained indicate that the data are generally suitable for factor analysis, whilst the significant Bartlett's tests confirm the existence of sufficient correlations between the items.

3.2.3. Bivariate analysis

Table 4: Correlation results for the variables

		EFC	**QRF**	**MDP**	**PER**
EFC	Pearson Correlation	1	-0.202*	-0.180	-0.210*
	Sig. (2-tailed)		0.032	0.057	0.026
	N	113	113	113	113
QRF	Pearson Correlation	-0.202*	1	0.839**	0.446**
	Sig. (2-tailed)	0.032		0.000	0.000
	N	113	113	113	113
MDP	Pearson Correlation	-0.180	0.839**	1	0.473**
	Sig. (2-tailed)	0.057	0.000		0.000
	N	113	113	113	113
PER	Pearson Correlation	-0.210*	0.446**	0.473**	1
	Sig. (2-tailed)	0.026	0.000	0.000	
	N	113	113	113	113
*. The correlation is significant at the 0.05 level (two-tailed).					
**. The correlation is significant at the 0.01 level (two-tailed).					

Source: Author, SPSS 23 output

The correlation analysis reveals several relationships between the variables in the model. A significant negative correlation is observed between accounting errors and fraud and the quality of financial reporting ($r = -0.202$; $p < 0.05$). This suggests that an increase in accounting irregularities tends to impair the quality of financial information. Similarly, errors and fraud are also negatively correlated with firm survival ($r = -0.210$; $p < 0.05$).

Furthermore, the quality of financial reporting is positively and significantly correlated with the sustainability of SMEs ($r = 0.446$; $p < 0.01$), indicating that reliable financial information is crucial for the stability of firms. Finally, detection and prevention mechanisms (DPM) show a strong positive correlation with the quality of financial reporting ($r = 0.839$; $p < 0.01$) as well as with firm survival ($r = 0.473$; $p < 0.01$), suggesting their important role in improving the quality of financial reporting.

Table 5: Cross-tabulation of accounting errors and fraud (AEF) and the quality of financial reporting (QFR)

AEF/FQ	**FRP=1 (Low)**	**FRP=2 (Medium)**	**FRP=3 (High)**	**Total**
EFC=1 (Low)	8.3%	33.3%	58.3%	100%
EFC=2 (Medium)	8.7%	43.5%	47.8%	100%
EFC=3 (High)	19.2%	55.1%	25.6%	100%
Total	**15.9%**	**50.4%**	**33.6%**	**100%**
	Results			
	Chi-squared test (χ^2= 8.017)			
	ddl = 4			
	p = 0.091			

Source: Author, SPSS 20 software output

This table illustrates that when levels of accounting errors and fraud are low, the quality of financial reporting is predominantly high (58.3%). Conversely, when the level of error and fraud increases (EFC = 3), the quality of reporting becomes predominantly average (55.1%) and declines to a high level (25.6%). In general, an increase in accounting errors is accompanied by a deterioration in the quality of reporting. However, the chi-squared test ($p = 0.091$) suggests that this relationship is not statistically significant.

Table 6: Cross-tabulation of financial reporting quality (QRF) and the sustainability of SMEs (PER)

FQ/SUR	**PER=1 (Low)**	**PER=2 (Medium)**	**PER=3 (High)**	**Total**
QRF=1 (Low)	38.9%	16.7%	44.4%	100.0%
QRF=2 (Medium)	33.3%	49.1%	17.5%	100.0%
QRF=3 (High)	2.6%	34.2%	63.2%	100.0%
Total	**23.9%**	**38.9%**	**37.2%**	**100.0%**
	Results			
	Chi-squared test (χ^{22}) = 28.107			
	ddl = 4			
	p = 0.000			

Source: Author, SPSS 23 software output

The results indicate that high-quality financial reporting is generally associated with a high level of SME sustainability (63.2 per cent). Conversely, low-quality reporting is more commonly observed in firms with more variable levels of sustainability. The chi-squared test ($p = 0.000$) highlights a statistically significant association between these two variables.

Table 7: Cross-tabulation of accounting errors and fraud (EFC) and the survival of SMEs (PER)

A&F	**PER=1 (Low)**	**PER=2 (Medium)**	**PER=3 (High)**	**Total**
EFC=1 (Low)	0.0%	50.0%	50.0%	100.0%
EFC=2 (Medium)	21.7%	26.1%	52.2%	100.0%
EFC=3 (High)	28.2%	41.0%	30.8%	100.0%
Total	**23.9%**	**38.9%**	**37.2%**	**100.0%**
	Results			
	Chi-squared test (χ^{22}) = 7.743			
	ddl = 4			
	p = 0.101			

Source: Author, SPSS 23 software output

This table shows that, where accounting errors and fraud are low, SMEs have a high probability of survival. However, survival tends to remain at a medium or high level as irregularities increase. This means that errors and fraud have a negative relationship with business sustainability. However, the chi-squared test (p=0.101) indicates that this association is not statistically significant.

3.2.4. Multivariate analysis

Table 8: ANOVA test of the multiple linear regression model

ANOVA[a]						
Model 1		Sum of squares	ddl	Mean square	F	Sig.
1	Regression	40.229	3	13.410	88.396	0.000***
	Residual	16,535	109	,152		
	Total	**56,764**	**112**			
a. Dependent variable: **Quality of financial reporting**						
b. Predictors: (Constant), EFC_MDP, EFC, MDP						

Source: Author, using SPSS 20

The ANOVA test shows that the multiple linear regression model explaining the quality of financial reporting is globally significant ($F = 88.396$; $p < 0.01$). This means that the explanatory variables selected contribute, as a whole, to explaining the variation in the quality of financial reporting among the SMEs studied.

The results indicate a high coefficient of determination ($R^2 = 0.709$), meaning that 70.9 per cent of the variation in the quality of financial reporting is explained by the variables in the model. This value reflects the model's strong explanatory power, confirmed by a similar adjusted R^2 (0.701).

Table 9: Estimation of the coefficients of the multiple linear regression model

Multiple Regression Model		Unstandardised coefficients		t	Sig.
		Beta (β)	Standard error		
	(Constant)	1.340	0.560	2.394	.018
	EFC	0.078	0.140	0.554	0.581
	MDP	0.763	0.181	4.204	0.000***
	EFC-MDP	-0.042	0.046	-0.911	0.364
a. dependent variable: QRF					
*** p<0.01					

Source: Author, SPSS 23 output

The results show that accounting errors and fraud (AEF) have no significant effect on the quality of financial reporting ($p = 0.581 > 0.01$). By contrast, detection and prevention mechanisms (DPM) have a positive and significant effect ($\beta = 0.763$; $p < 0.01$), indicating their important role in improving the quality of financial reporting. The interaction effect (AFE × DPM) is not significant, suggesting the absence of a moderating effect.

Table 10: ANOVA test of the simple linear regression model explaining sustainability

ANOVA[a]						
Model 2		Sum of squares	Ddl	Mean of squares	F	Sig.
1	Regression	17.399	1	17.399	27.570	0.000***
	Residual	70,052	111	,631		
	Total	**87,451**	**112**			
a. Dependent variable: **Sustainability of SMEs**						
b. Predictors: (Constant), QRF						

Source: Author, using SPSS software

The ANOVA test for the simple linear regression model explaining survival is also significant ($F = 27.570$; $p < 0.01$), indicating that the selected explanatory variable helps to explain the variation in the survival of SMEs.

Table 11: Estimation of coefficients for the simple linear regression model

Simple regression model		Unstandardised coefficients		t	Sig.
		Beta (β)	Standard error		
	(Constant)	1.392	0.349	3.983	0.000
	QRF	0.446	0.105	5.251	0.000***
*** p<0.01					

Source: Author, SPSS 23 output

The results indicate that the quality of financial reporting has a positive and significant effect on the sustainability of SMEs ($\beta = 0.446$; $p < 0.01$). This means that an improvement in the quality of financial information helps to strengthen the stability and continuity of these entities.

3.2.5. Validation of research hypotheses

Table 12: Summary of hypothesis validation

Hypothesis	Relationship tested	β	Sig	Result	Conclusion
H1	EFC QRF	0.078	0.581	Positive but not significant	Not empirically confirmed
H2	(EFC × MDP) QRF	-0.042	0.364	Negative but not significant	Not empirically confirmed
H3	QRF PER	0.446	0.000***	Significant positive	Empirically confirmed
***** p<0.01**					

Source: Author, SPSS 23 output

The summary table highlights mixed results regarding the validation of the hypotheses formulated.

Hypothesis H3 is empirically confirmed, indicating that the quality of financial reporting has a positive and significant effect on the sustainability of SMEs. This result underlines the central role of financial information in the stability and continuity of organisations.

On the other hand, hypotheses H1 and H2 are not empirically supported, as the relationships tested are not statistically significant. These results suggest that, in the context of the SMEs studied, accounting errors and fraud, as well as the moderating effect of detection and prevention mechanisms, do not directly explain the quality of financial reporting.

However, further analysis reveals that detection and prevention mechanisms have a significant direct impact on the quality of financial reporting, highlighting their crucial role in improving financial reporting. These results will be discussed in greater detail in the following section.

3.3. Discussion of the results

The empirical results from this study shed light on the relationships between accounting errors and fraud, the quality of financial reporting and the sustainability of SMEs in the specific context of the city of Kinshasa. Their interpretation, in the light of existing theoretical and empirical literature, reveals nuanced dynamics that enrich our understanding of these phenomena in environments characterised by poorly formalised systems.

- **Effect of accounting errors and fraud on the quality of financial reporting**

Contrary to the hypothesis initially formulated, the quantitative results obtained do not confirm a significant effect of accounting errors and fraud on the quality of financial reporting. This finding may appear to be at odds with some of the literature, notably the work of Ngwakwe (2012) and Wells (2017), which emphasises that accounting anomalies, whether intentional or not, constitute a factor that undermines the reliability of financial information.

Button, Johnston and Frimpong (2007) had already predicted such a situation, stating that SMEs tend to under-report internal fraud for fear of tarnishing their image or damaging their relationships with partners and employees.

The fact that there is no statistically significant relationship may be due to the specific characteristics of the SMEs in question. Interviews with auditors show that accounting irregularities are, in fact, corrected before the financial statements are prepared or mitigated through internal practices. They also note that certain weaknesses in internal control systems may prevent the detection or reporting of certain frauds during an audit. This internal management of anomalies, combined with a low level of formalisation in accounting information systems, may lead to an underestimation of their actual impact on the quality of financial reporting, and this could explain the difficulty in observing a direct statistical effect.

In this sense, this result does not imply that accounting errors and fraud have no influence, but rather that it is difficult to capture their direct effect within the framework of the empirical model used.

- **Role of detection and prevention mechanisms (DPMs)**

The results show a significant positive influence of detection and prevention mechanisms on the quality of financial reporting. This observation appears fundamental, given that it calls for a re-examination of the role associated with this variable in theory. Although these mechanisms were initially regarded as moderators, the empirical results demonstrate that they have a more direct effect on improving the quality of financial reporting. This is consistent with the findings of Coram et al. (2008), Oussi (2014), Gramling (2004), Lin et al. (2011) and Ngwakwe (2012), which demonstrate the importance of internal control mechanisms and audit procedures for the reliability of accounting information. These findings also corroborate the work of COSO (2013), which highlights the role of control systems in both the detection and prevention of fraud.

This conclusion is consistent with the work of Coram et al. (2008), Oussi (2014), Gramling (2004), Lin et al. (2011) and Ngwakwe (2012), which emphasise the merits of internal control mechanisms and auditing for the reliability of accounting information.

In the context of SMEs in Kinshasa, this finding suggests that the quality of financial reporting depends more on the level of organisation, the structuring of procedures and the existence of control mechanisms (whether formal or informal) than on the mere presence of errors or fraud. In other words, it is not so much the existence of anomalies that determines the quality of the information, but the company's ability to manage, detect and correct them.

This finding is also consistent with observations drawn from interviews with external auditors, who emphasised the importance of internal control, external audit, the digitisation of accounting processes and consistency checks in improving the reliability of financial statements.

- **The impact of financial reporting quality on the sustainability of SMEs**

The results confirm the existence of a positive and significant relationship between the quality of financial reporting and the sustainability of SMEs. This finding constitutes one of the major contributions of this study.

It builds on agency theory (Jensen & Meckling, 1976), according to which the quality of financial information helps to reduce information asymmetry between management and stakeholders, thereby promoting better decision-making and a more efficient allocation of resources.

These findings are consistent with those of the studies by Djongoué (2015) and Mahmoud (2012), which demonstrated that the quality of accounting information significantly affects the performance and survival of firms. Reliable, relevant and transparent information helps to restore trust amongst partners (investors, creditors, suppliers) within the firm, acting as a mechanism to build confidence, whilst also enhancing the firm's ability to manage environmental constraints. The quality of financial information therefore appears to be one of the key factors determining sustainability among Congolese SMEs, for which access to finance and credibility with partners are major challenges.

This finding is very similar to that confirmed by the auditors during interviews, namely that accounting errors and fraud have significant consequences for the quality of financial reporting. They affect the reliability of financial statements and can undermine the confidence of the company's partners. In the long term, these irregularities are likely to affect the stability and sustainability of SMEs, particularly where control mechanisms remain inadequate. These auditors recommend the presentation of financial statements free from irregularities to ensure the sustainability of SMEs.

- **No direct effect of errors and fraud on sustainability**

The analyses also show that accounting errors and fraud do not have a significant direct effect on the sustainability of SMEs. This finding can be explained by the fact that the impact of accounting irregularities does not affect the stability of the firm directly, but operates through intermediary mechanisms, notably the quality of financial reporting.

This interpretation is consistent with the work of Rezaee (2005), who emphasises that accounting fraud primarily affects the reliability of financial information before having repercussions on the firm's overall performance. Thus, a firm may exhibit accounting irregularities without these immediately affecting its long-term viability, particularly if it has corrective mechanisms in place or if these irregularities are not detected in the short term.

Overall, this study helps us to understand the central role of the quality of financial reporting in the sustainability of SMEs and demonstrates the importance of control mechanisms in improving the reliability of accounting information. These findings contribute to building on previous research on SMEs in the African context, particularly in environments characterised by poorly formalised management and control systems.

3.4. Contributions, limitations and outlook

3.4.1. Contributions of the study

This study enriches the management science literature by offering an integrated perspective on the relationships between accounting errors and fraud, detection and prevention mechanisms, the quality of financial reporting and the sustainability of SMEs in the city of Kinshasa. Whilst several studies address these dimensions in isolation, this research highlights the interactions between these variables within a unified analytical framework.

One of the main contributions of this study lies in its simultaneous consideration of accounting errors and accounting fraud in the analysis of the quality of financial reporting. Indeed, accounting errors remain relatively under-explored in the literature, particularly in the context of SMEs in developing economies.

Empirically, the study highlights the positive role of detection and prevention mechanisms in improving the quality of financial reporting, as well as the importance of the latter for the sustainability of SMEs. The findings also show that certain accounting anomalies may be difficult to detect or only partially corrected internally, which helps to enrich our understanding of the accounting realities faced by SMEs.

From a methodological perspective, the use of a mixed-methods approach combining qualitative and quantitative methods has provided a more in-depth understanding of the phenomenon under study. In particular, the interviews conducted with external auditors have helped to contextualise and explain certain statistical findings relating to SMEs.

Finally, this study contributes to the body of research on the accounting and financial governance of SMEs in African economies by demonstrating the importance of control mechanisms, the digitisation of accounting and auditing in improving the reliability of financial information.

3.4.2. Limitations of the study

Despite its contributions, this study has certain limitations.

Firstly, the study was conducted amongst a limited number of SMEs in the city of Kinshasa and focused solely on audited SMEs, which may limit the generalisability of the results to all Congolese SMEs.

Secondly, the data collected is based in part on respondents' statements, whilst certain instances of accounting fraud often go unreported or are dealt with internally within SMEs. This situation may influence the actual perception of certain accounting irregularities.

Furthermore, the limited availability of certain managers and accounting officers sometimes restricted access to certain information deemed sensitive.

Finally, although the study incorporated detection and prevention mechanisms, it did not allow for an in-depth assessment of the level of maturity or operational effectiveness of each system used in SMEs.

3.4.4. Prospects for future research

This study opens up several avenues for future research.

Future work could, in particular, extend the analysis to unaudited SMEs as well as to those in other provinces of the Democratic Republic of the Congo, in order to compare the accounting practices of SMEs across different economic and institutional contexts.

Further research could also explore in greater depth the role of accounting digitalisation, integrated management software and artificial intelligence in the prevention and detection of accounting irregularities.

It would also be interesting to compare the accounting practices of formal and informal SMEs in order to identify differences in the quality of financial reporting and control mechanisms.

Finally, longitudinal studies could help to observe changes in accounting practices and their effects on the sustainability of SMEs over a longer period.

Conclusion

The quality of financial reporting is now a major challenge for the sustainability of SMEs, in a context characterised by economic uncertainty and growing demands for transparency. This article, complementing the previously published theoretical study, has contributed to a deeper understanding of this issue by analysing the empirical relationships between the selected variables.

The qualitative findings revealed the existence of several accounting anomalies in SMEs, notably accounting inconsistencies, the recording of certain transactions without supporting documents, the falsification of supporting documents, and certain deliberate or opportunistic manipulations of financial statements. Human, technical, organisational, behavioural, environmental and technological factors underlie the occurrence of accounting errors and fraud. The auditors interviewed also emphasised the importance of internal control, external audit, the digitisation of accounting processes and accounting software in improving the quality of financial reporting.

From a quantitative perspective, the results reveal that accounting errors and fraud do not have a significant direct impact on the quality of financial reporting. Conversely, detection and prevention mechanisms have a positive impact on the quality of financial reporting, which is positively correlated with the sustainability of SMEs.

We can conclude that the quality of financial information depends less on accounting irregularities considered in isolation than on SMEs' ability to implement internal control, monitoring and correction mechanisms for financial information. The qualitative survey also shows that some of the anomalies are under-reported or are corrected internally only sporadically, which could explain the absence of a direct statistical effect on some of the relationships tested.

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