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Analysis of Financial Literacy, Accounting Technology, and SAK EMKM Compliance among MSMEs in Indonesia

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in Indonesia's economic development; however, the quality of their financial reporting remains relatively low due to limited financial literacy, inadequate adoption of accounting technology, and insufficient compliance with the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). This study aims to analyze the determinants of financial reporting quality among Indonesian MSMEs by examining the roles of financial literacy, accounting technology, and SAK EMKM compliance. The research employs a qualitative library research approach by reviewing academic journals, books, government reports, accounting standards, and other relevant literature. The findings indicate that financial literacy improves MSME owners' ability to prepare accurate financial statements, accounting technology enhances reporting efficiency, accuracy, and timeliness, while compliance with SAK EMKM strengthens the reliability, comparability, and credibility of financial reports. Furthermore, the study highlights the importance of integrating accounting knowledge, digital transformation, and regulatory compliance to improve financial governance and expand MSMEs' access to formal financing. The novelty of this study lies in its comprehensive conceptual framework that integrates accounting theory, digital accounting technology, financial literacy, and Indonesia's current MSME development policies, providing a broader perspective on improving financial reporting quality in the MSME sector.

Keywords: financial literacy; accounting technology, SAK EMKM, financial reporting quality, micro, small, and medium enterprises (MSMEs).

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a fundamental role in Indonesia's economic development. According to the Ministry of Cooperatives and SMEs (2024), MSMEs contribute approximately 61% of Indonesia's Gross Domestic Product (GDP) and absorb more than 97% of the national workforce. Their strategic contribution positions MSMEs as one of the primary drivers of inclusive economic growth and regional development. Despite their substantial economic contribution, many Indonesian MSMEs continue to face significant challenges in preparing high-quality financial statements that meet generally accepted accounting standards.

Financial reporting quality has become increasingly important because reliable financial information enhances transparency, accountability, managerial decision-making, and access to external financing. Financial institutions, investors, and government agencies require credible financial statements to evaluate business performance and determine financing eligibility. Nevertheless, numerous MSMEs still rely on simple bookkeeping practices and informal financial records that fail to provide comprehensive information regarding their financial position and business performance. Consequently, inadequate financial reporting remains one of the major barriers limiting MSMEs' access to formal credit and investment opportunities.

One of the principal determinants of financial reporting quality is financial literacy. Financial literacy refers to an individual's ability to understand and apply financial knowledge in making effective financial decisions (Lusardi & Mitchell, 2014). MSME owners with adequate financial literacy are generally more capable of recording business transactions, preparing financial statements, managing cash flows, and evaluating financial performance. However, the Indonesian Financial Literacy and Inclusion Survey (SNLIK) conducted by the Financial Services Authority (OJK, 2025) indicates that although the national financial literacy index has continued to improve, many MSME owners still lack sufficient accounting knowledge to implement appropriate financial reporting practices. This finding suggests that improvements in financial literacy have not been fully translated into better accounting practices.

Besides financial literacy, rapid technological advancement has transformed accounting practices among MSMEs. Digital accounting applications such as BukuWarung, Majoo, SIAPIK, Jurnal.id, and other cloud-based accounting systems enable business owners to automate bookkeeping, reduce human errors, improve reporting efficiency, and generate real-time financial information. Previous studies have demonstrated that accounting technology significantly improves reporting accuracy and

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timeliness while reducing administrative costs (Hakim et al., 2024; Romney & Steinbart, 2018). Nevertheless, technological adoption among Indonesian MSMEs remains uneven due to limited digital literacy, financial constraints, inadequate infrastructure, and resistance to organizational change.

Another essential determinant is compliance with the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM), issued by the Indonesian Institute of Accountants (IAI). SAK EMKM provides simplified accounting guidelines specifically designed to accommodate the characteristics of MSMEs while maintaining the fundamental principles of financial reporting. Compliance with these standards enhances the reliability, comparability, and credibility of financial statements, thereby improving stakeholders' confidence in MSME financial information. However, previous research indicates that many MSMEs have not fully implemented SAK EMKM because of limited awareness, insufficient technical guidance, and inadequate institutional support.

The relevance of improving MSME financial reporting has become even more significant under the Indonesian government's current economic development agenda. Through the Asta Cita national development strategy introduced by President Prabowo Subianto, MSMEs have become a central component of national economic transformation. Government initiatives including the Red and White Village Cooperative Program, subsidized financing schemes, public procurement policies prioritizing MSME products, and debt restructuring programs require participating enterprises to prepare transparent and accountable financial statements. Consequently, improving financial reporting quality is no longer merely an accounting issue but also a strategic requirement for strengthening MSME competitiveness and sustainable economic development.

Despite extensive research examining financial literacy, accounting technology, and SAK EMKM compliance, a substantial research gap remains. Previous studies have primarily investigated these variables separately using quantitative approaches, with limited attention given to the integration of accounting theory, technological transformation, institutional support, and current national economic policies within a comprehensive conceptual framework. Furthermore, relatively few studies have synthesized empirical evidence from recent literature to explain how these factors collectively influence financial reporting quality among Indonesian MSMEs.

Therefore, this study aims to identify the major determinants of financial reporting quality among Indonesian MSMEs through a qualitative library research approach. By integrating accounting theories, empirical findings, and current government policies, this study seeks to develop a comprehensive conceptual understanding of how financial

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literacy, accounting technology, and SAK EMKM compliance collectively contribute to improving MSME financial reporting quality. The findings are expected to provide theoretical contributions to accounting literature and practical recommendations for policymakers, professional accounting organizations, educational institutions, and MSME practitioners in strengthening financial governance and promoting sustainable business development in Indonesia.

Objectives

This article intends:

1. To examine the role of financial literacy in improving the financial reporting quality of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia.
2. To analyze the contribution of accounting technology in enhancing the accuracy, efficiency, and timeliness of MSME financial reporting.
3. To identify the importance of compliance with the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) in producing reliable and comparable financial statements.
4. To provide a comprehensive understanding of the interrelationship among financial literacy, accounting technology, and SAK EMKM compliance in strengthening financial governance and supporting sustainable MSME development.

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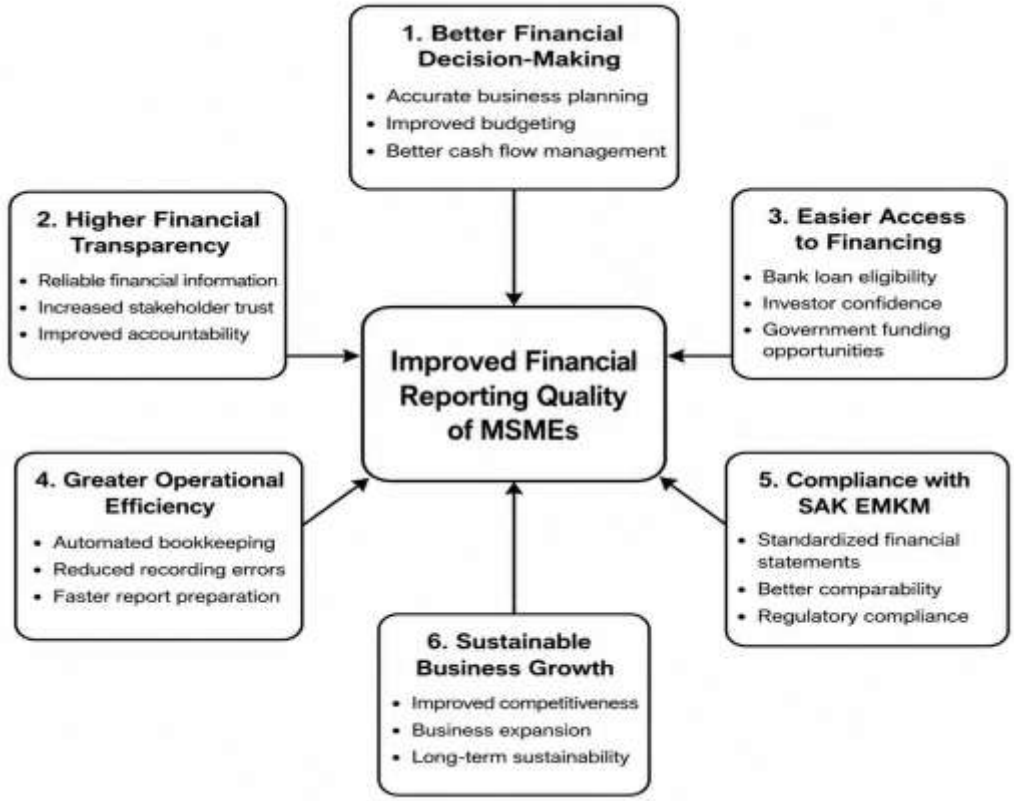


Figure 1. Conceptual Framework of Financial Reporting Quality Improvement among MSMEs

Financial reporting quality has become one of the most important factors supporting the sustainability and competitiveness of MSMEs. High-quality financial statements provide relevant, reliable, comparable, and timely information that assists business owners, creditors, investors, and government institutions in making informed economic decisions. In Indonesia, however, many MSMEs continue to experience difficulties in producing financial reports that comply with accounting standards due to limited accounting knowledge, inadequate technological adoption, and low awareness of regulatory requirements.

Financial literacy enables MSME owners to understand basic accounting concepts, record transactions accurately, prepare financial statements, and interpret financial information for business decision-making. Entrepreneurs with higher levels of financial literacy tend to demonstrate better financial management practices and stronger

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financial performance. Consequently, improving financial literacy has become an essential strategy for strengthening financial reporting quality among MSMEs.

The increasing availability of digital accounting technology has also transformed financial reporting practices. Applications such as SIAPIK, BukuWarung, Majoo, Jurnal.id, and cloud-based accounting systems enable MSMEs to automate bookkeeping processes, reduce recording errors, improve reporting efficiency, and generate real-time financial information. The integration of accounting technology not only improves operational efficiency but also supports greater transparency and accountability in financial reporting.

Compliance with the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) represents another critical component of financial reporting quality. The implementation of SAK EMKM ensures that financial statements are prepared using standardized recognition, measurement, presentation, and disclosure principles. As a result, financial reports become more credible and easier for financial institutions, investors, and other stakeholders to evaluate.

DISCUSSION

The quality of MSME financial reporting is influenced by several interconnected factors rather than by a single determinant. Financial literacy, accounting technology, and compliance with SAK EMKM complement one another in creating an effective financial reporting system that supports business sustainability and access to external financing.

Financial Literacy as the Foundation of Financial Reporting Quality

Financial literacy serves as the fundamental capability that enables MSME owners to manage financial information effectively. According to Lusardi and Mitchell (2014), financial literacy encompasses the knowledge and skills required to make sound financial decisions. Within the MSME context, financially literate entrepreneurs are more capable of recording transactions, managing cash flows, preparing financial statements, and evaluating business performance.

Previous studies consistently demonstrate that MSMEs possessing higher financial literacy tend to produce more accurate and transparent financial reports. Conversely, inadequate financial literacy often results in incomplete bookkeeping, inaccurate financial information, and poor managerial decision-making.

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Accounting Technology as a Driver of Reporting Efficiency

The rapid advancement of digital technology has transformed accounting practices among MSMEs. The adoption of accounting software, cloud-based systems, and mobile bookkeeping applications enables businesses to automate financial recording, minimize human errors, and improve reporting efficiency.

According to the Technology Acceptance Model (Davis, 1989), perceived usefulness and perceived ease of use are the primary determinants of technology adoption. MSMEs that recognize the benefits of digital accounting systems are more likely to adopt technological innovations that improve financial reporting quality. Digital accounting technology also facilitates real-time financial monitoring, enhances data accuracy, and strengthens internal financial control.

SAK EMKM Compliance as a Pillar of Reliable Financial Reporting

Compliance with SAK EMKM plays a vital role in ensuring that financial statements are prepared according to accepted accounting standards. The application of standardized accounting principles enhances the comparability, reliability, and credibility of financial information, making it more useful for creditors, investors, and government agencies.

Despite these benefits, many Indonesian MSMEs have yet to fully implement SAK EMKM due to limited accounting knowledge, insufficient technical assistance, and inadequate institutional support. Therefore, continuous education and practical guidance remain essential to improve compliance among MSME owners.

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Figure 2. Determinants of Financial Reporting Quality among MSMEs

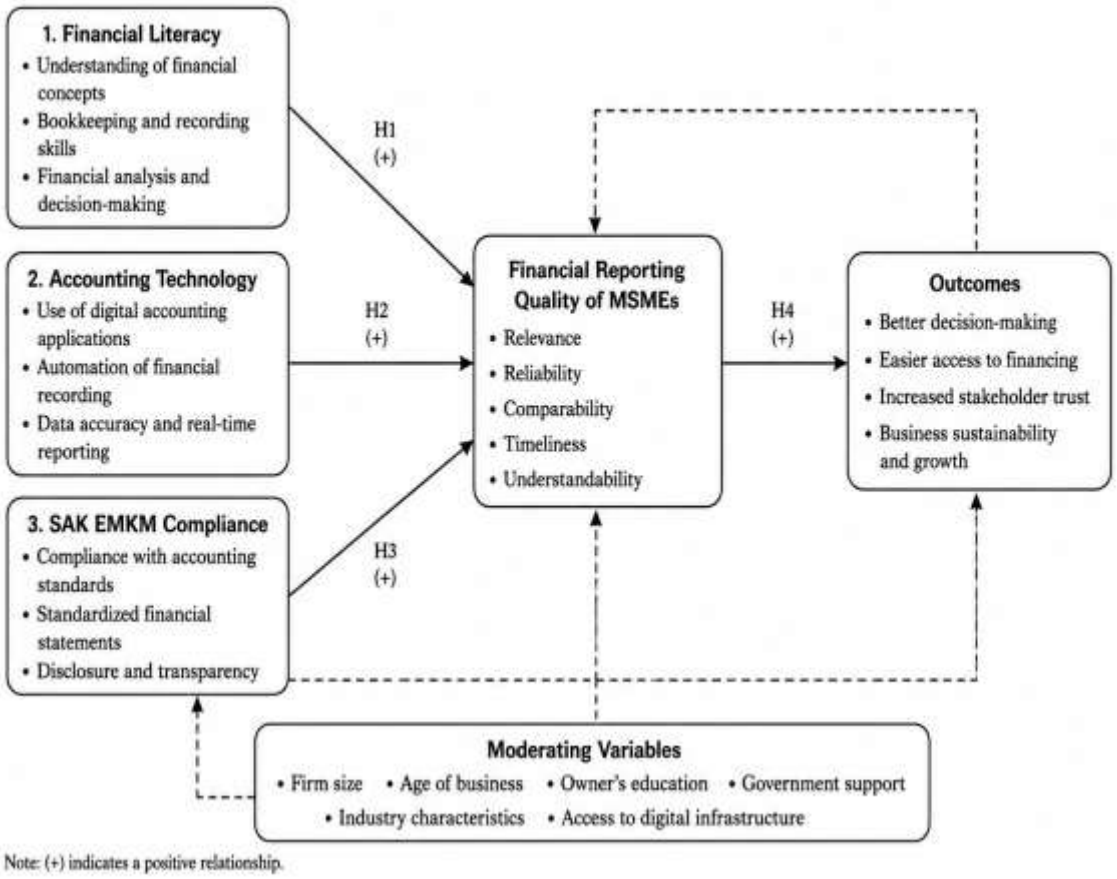


Figure 2. Determinants of Financial Reporting Quality among MSMEs

Strategic Recommendations for Improving Financial Reporting Quality

Based on the literature synthesis, several strategic initiatives can be proposed to enhance financial reporting quality among Indonesian MSMEs:

1. Strengthening financial literacy through continuous accounting education and practical training.
2. Promoting the adoption of affordable and user-friendly digital accounting applications.
3. Expanding technical assistance programs for SAK EMKM implementation.

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4. Providing regulatory incentives for MSMEs that prepare standardized financial statements.
5. Encouraging collaboration among government institutions, universities, professional accounting organizations, and financial institutions to build a sustainable financial reporting ecosystem.

CONCLUSION

Financial reporting quality among Indonesian MSMEs is determined by the integration of financial literacy, accounting technology, and compliance with SAK EMKM. Financial literacy provides the knowledge necessary for preparing accurate financial statements, accounting technology improves reporting efficiency and accuracy, while SAK EMKM compliance strengthens the credibility and comparability of financial information. These three factors complement one another in establishing transparent, accountable, and reliable financial reporting practices.

This study emphasizes that improving MSME financial reporting quality requires not only enhancing individual competencies but also strengthening technological infrastructure, regulatory implementation, and institutional support. Future policy initiatives should focus on expanding financial education, accelerating digital transformation, and promoting wider implementation of SAK EMKM to improve MSMEs' financial governance, competitiveness, and access to formal financing.

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