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**Factors Influencing the Implementation of Accounting
Digitalization in MSMEs: a Literature Review**

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ABSTRACT

This study aims to explore the implementation of e-accounting practices in Indonesia's Micro, Small, and Medium Enterprises (UMKM). With UMKM playing a pivotal role in the nation's economy, contributing significantly to employment and GDP, the research emphasizes the hurdles hindering the full adoption of digital accounting tools, such as limited financial support, innovation, and digital literacy, particularly in rural areas. Leveraging a literature review from SINTA and SCOPUS databases over the last decade, the study explores factors influencing e-accounting practices in UMKM. Key findings highlight the critical role of technical skills in advancing digital accounting practices, underscoring the need for proficiency in software understanding, data security, and analytical capabilities. Additionally, the study addresses barriers to digital technology adoption in accounting, including resistance to change and organizational culture, while emphasizing the transformative benefits of digitalization. Practically, the research aims to contribute by shedding light on factors influencing e-accounting in UMKM and advocating for infrastructure support and enhanced digital skills. Overcoming these challenges is deemed crucial for unlocking the full potential of accounting digitalization in UMKM and facilitating their improved financial practices and access to funding.

e-accounting, Digitalization, MSME, Literature Review

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INTRODUCTION

The Ministry of Cooperatives and Small and Medium Enterprises (MSMEs) in the Republic of Indonesia reported a substantial presence of 64,194,056 MSMEs in the year 2019, constituting 99.99% of the overall business populace and absorbing 96.9% of the national workforce. The consequential contribution of MSMEs to the nation's gross domestic product (GDP) reached 60.5%, with a noteworthy 15.6% contribution to non-oil and gas exports, underscoring their strategic significance in the economic landscape. The growth

trajectory of MSMEs reached an impressive 99.93% year on year in 2019. Capital emerges as a pivotal determinant for the competitive viability of MSMEs, predominantly secured through banking channels. While financial backing from banks exerts a positive influence, MSMEs confront impediments related to financing accessibility, innovation deficiencies, and a dearth of business knowledge. Statistical data from Bank Indonesia signifies an uptrend in MSME credit growth in 2021 and 2022, albeit falling short of governmental targets.

The observed paucity in credit disbursement is attributed to a need for more information for creditworthiness evaluation, with financial reports as the foundational bedrock. Many MSMEs' unaccustomedness to preparing financial reports impedes compliance with institutional prerequisites. Notably, MSMEs exhibit diminished cognizance and proficiency in financial record-keeping practices. The strategic importance of digitalization in enhancing funding accessibility and augmenting productivity within the MSME sector is underscored by the pervasive adoption of the Internet, with over 87% of MSMEs incorporating internet technologies into their operational frameworks. The embrace of digital technologies, including e-accounting applications, stands poised to confer heightened value addition and enhanced productivity upon MSMEs.

However, concomitant challenges arise with digitalization. MSMEs contend with difficulties in technology utilization due to limited facilities/support and human resource skills. The substantial digital skills gap poses a formidable barrier. A potential remedy lies in transitioning from manual recording to applications/software, facilitating streamlined financial reporting processes and bolstering the credit distribution ratio. Beyond being a requisite for securing financing, financial reports assume a pivotal role in business management and strategic expansion planning. The advent of digital technologies facilitates facile financial record-keeping. Despite the pervasive prevalence of e-accounting practices in developed countries, MSMEs in Indonesia, particularly those in rural settlements, grapple with costs and digital literacy impediments.

Prior research predominantly centred on gauging MSMEs' perceptions of financial recording applications. There is a discernible exigency for further inquiry aimed at comprehending the veritable determinants, anticipations, and challenges inherent in implementing these applications. The shift to digital recording engenders a requisite for infrastructure bolstering and the augmentation of digital proficiencies among operational personnel. This research scrutinises the instantiation of e-accounting practices within the MSME domain. Through a methodical literature review, this academic pursuit aspires

to furnish a theoretical contribution by delineating and exploring the multifaceted factors, offering nuanced insights into MSMEs' challenges and prospects in applying E-Accounting. The practical ramifications of this scholarly endeavour encompass the elevation of MSME cognizance about financial recording modalities, the judicious application of financial report recording applications, and the broadening of access to financial institution funding.

RESEARCH METHODE

The research method used in this study involves analyzing literature from the SINTA and SCOPUS databases over the last ten years. This approach was taken to detail the understanding of the implementation of e-accounting in MSMEs by focusing on the aspects identified in the background. First, a literature search was conducted focusing on cost-related publications. All literature research was done by accessing the SINTA and SCOPUS databases, selecting the latest publications, and evaluating relevant research methodology and results. This approach aims to present a comprehensive picture of the factors that influence e-accounting practices in MSMEs, provide a solid theoretical basis, and identify knowledge gaps that can be the focus of future research.

RESULT AND DISCUSSION

Article identity

No	Author and Year Published	Title	Journal	Citation
1	Al-Hattami, H.M. and Almaqtari, F.A., 2023.	What determines digital accounting systems' continuance intention? An empirical investigation in SMEs	Q1: <i>Humanities and Social Sciences Communications</i> , 10(1), 1-13.	0
2	Kruskopf, S., Lobbas, C., Meinander, H., Söderling, K., Martikainen, M. and Lehner, O., 2020.	Digital Accounting and the Human Factor: Theory and Practice	Q3: <i>ACRN Journal of Finance and Risk Perspectives</i> .	107
3	Immas Nurhayati,	Development of the Digital Accounting	Q3: <i>Journal of Educational and Social</i>	

	Azolla Degita Azis, Foni Agus Setiawan, Iis Anisa Yulia, Desmy Riani, Endri Endri	and Its Impact on Financial Performance in Higher Education	<i>Research</i> , 3(2), 55	
4	Gómez, D.C., 2020.	Technological Socialization and Digital Inclusion: Understanding Digital Literacy Biographies among Young People in Madrid	Q2: <i>Social Inclusion</i> , 8(2), 222- 232.	21
5	Suartika, K.A. and Widhiyani, N.L.S., 2017.	Kemampuan Teknik Personal Pada Efektivitas Penggunaan Sistem Informasi Akuntansi Dengan Pendidikan Dan Pelatihan Sebagai Pemoderasi	S3: <i>E-Jurnal Akuntansi Universitas Udayana</i> , 18(2), 1485- 1512.	25
6	Gonçalves, M.J.A., da Silva, A.C.F. and Ferreira, C.G., 2022.	The Future of Accounting: How Will Digital Transformation Impact the Sector?	Q2: <i>Informatics</i> , 9(1), 19	59
7	Hanifah, S., Sarpingah, S. and Putra, Y.M., 2020	The Effect of Level of Education, Accounting Knowledge, and Utilization Of Information Technology Toward Quality The Quality of MSME's Financial Reports	Q3: ACEBISS	254
8	Elessa, M.S., 2023.	The Impact of E- Accounting on Information Security: Evidence from Amman Stock Exchange	Q4: <i>International Journal of Professional Business Review</i> , 8(9), e03505-e03505.	0

Article Methodology

Article No	Data collection	Sampling method	Sample	Data analysis
1	Questionnaires	Random sampling	managers and owners	Path coefficient
2	Prior literatures	-	-	Descriptive
3	Questionnaires	Purposive sampling	stakeholders and education staff in the finance department from several higher institutions.	Path coefficient
4	interviews	Purposive sampling	Ages 18 and 35 who use the Internet frequently	Path coefficient
5	Report	Purposive sampling	Savings and Loans Cooperative (KSP) in Badung Regency.	Regression
6	Interview and report	Purposive sampling	software development companies and accounting services and tax consulting company	Descriptive
7	Questionnaires	Purposive sampling	Micro, Small and Medium Enterprises (MSMEs) in the Kalideres sub-district area, West Jakarta.	Path coefficient
8	Questionnaires	Purposive sampling	all corporations listed on the Amman Stock Exchange	Path coefficient

The presented table outlines diverse research studies related to digital accounting systems, showcasing variations in data collection, sampling methods, sample demographics, and data analysis strategies. Notably, studies range from questionnaire-based investigations, like the first, third, and seventh, utilizing methods such as random and purposive sampling, to exploratory works employing prior literature, interviews, and reports. The selected

demographic varies across studies, encompassing SME managers, higher education stakeholders, internet users in Madrid, and MSMEs in Jakarta. Analysis methods include path coefficient examinations, regression, and descriptive approaches, reflecting the multifaceted nature of research in digital accounting.

The table provides insights into the methodological landscape of research on digital accounting systems, revealing a blend of quantitative and qualitative approaches. While some studies delve into the intricate relationships within SMEs using statistical methods like path coefficient analysis, others take a more descriptive approach, capturing the broader landscape of digital accounting's future or the human factor in its theory and practice. This diversity highlights the nuanced nature of digital accounting research, addressing both specific relationships within systems and broader, qualitative aspects of their implementation and impact.

Theory Used

Theory	Mentions
TAM theory	5
Stewardship theory	1
stratification theory	1
digital divide theory	1

In the realm of implementing accounting digitalization in Micro, Small, and Medium Enterprises (MSMEs), the Technology Acceptance Model (TAM) stands out as a pivotal theoretical framework. TAM, rooted in behavioral science, asserts that users' perceptions of the ease of use and utility of a technology significantly influence their adoption decisions. In the context of MSMEs, this theory helps elucidate the factors shaping the acceptance and sustained use of digital accounting systems. Business owners and managers, perceiving these tools as user-friendly and beneficial to their operations, are more likely to integrate them into their financial practices.

Stewardship theory, another theoretical perspective relevant to the implementation of digital accounting in MSMEs, revolves around the concept of responsible stewardship. This theory posits that individuals entrusted with organizational resources act in the organization's best interest. In the context of MSMEs adopting digital accounting tools, stewardship theory emphasizes trust, accountability, and responsible financial management. MSMEs leveraging digital accounting systems can align with stewardship principles, fostering a sense of responsibility and transparency in their financial practices. These theoretical frameworks collectively contribute valuable insights into the

dynamics and determinants of accounting digitalization in the diverse landscape of MSMEs.

Result

Article No.	Result
1	The findings implied that SYSTEM Quality, Information Q, Perceived Usefulness, P Ease of Use, and satisfaction are significant factors in ICU-DAS.
2	The “technical or hard” skills include analysis, understanding of software and its capabilities, and data security are necessary to improve Digital Accounting.
3	The findings showed a positive correlation between financial performance and accounting digitization.
4	The effect of social support is ambivalent: It could promote digital inclusion among people already interested in digital technologies, but it could also lead to dynamics of self-exclusion among people who are not confident regarding their digital competencies or disinterested in icts
5	The results of the research found that personal technical abilities have a positive effect on the effectiveness of using accounting information systems, education and training strengthen the influence of personal technical abilities on the effectiveness of using accounting information systems
6	The resistance to change, the organizational culture, and the price seem to be the main barriers to Digital Tech in accounting
7	The results of this research show that the educational levels does not effects the quality of financial statement while accounting knowledge, and technology of information are positively significant influences the quality of financial statement.
8	The study found a significant relationship between E-Accounting and information security, the impact was strong and positive.

Influence of System Quality, Information Quality, Perceived Usefulness, and Ease of Use

The effective implementation of accounting digitalization in MSMEs is intricately linked to the influence of System Quality, Information Quality, Perceived Usefulness, and Ease of Use (Al-Hattami & Almaqtari, 2023; Elessa, 2023; Gonçalves et al., 2022). Firstly, System Quality emerges as a critical factor, where a robust digital infrastructure, reliable software, and streamlined processes significantly contribute to the seamless integration of digital accounting tools. Secondly, the quality of information holds paramount importance. Accurate, timely, and relevant financial data enhances decision-making within MSMEs, fostering a conducive environment for successful

accounting digitalization. Moreover, Perceived Usefulness plays a pivotal role, as the perceived value and benefits of digital accounting tools positively impact their adoption by MSMEs. Lastly, the Ease of Use is a key determinant, where intuitive interfaces and user-friendly features contribute to a smoother implementation process, ensuring wider acceptance among users.

Effective implementation of accounting digitalization in MSMEs hinges on several crucial factors. A robust System Quality (SQ) ensures a seamless user experience, while Information Quality (IQ) guarantees accurate financial data. Perceived Usefulness (PU) reflects users' perception of the system's contribution, and Ease of Use minimizes learning curves (Al-Hattami & Almaqtari, 2023). These elements collectively influence users' intentions to embrace digital accounting systems. In MSMEs, a positive user experience fosters motivation for continued system use. However, challenges in accessibility or understanding may deter adoption. Recognizing these dynamics is essential for a successful accounting digitalization strategy in the MSME sector.

Importance of Technical or Hard Skills for Digital Accounting Improvement

Technical or hard skills play a crucial role in advancing digital accounting practices. These skills encompass analytical abilities, comprehension of software functionalities, and expertise in data security. The significance of these skills lies in their capacity to enhance Digital Accounting (Hanifah et al., 2020). A sound understanding of software and its capabilities empowers professionals to navigate digital accounting systems effectively, ensuring accurate and efficient financial processes. Additionally, proficiency in data security is vital for safeguarding sensitive financial information, mitigating risks associated with unauthorized access or cyber threats.

The intricate relationship between individuals' digital literacy and their utilization of digital technologies in various social contexts resonates with the critical importance of technical or hard skills in enhancing digital accounting practices. Just as individuals navigate a digitally mediated world where online and offline literacies converge, professionals in the accounting realm must possess robust technical skills for effective engagement with digital accounting systems (Gómez, 2020; Hanifah et al., 2020). The ability to domesticate technology, aligning with unique dispositions and competencies, parallels the necessity for accountants to comprehend and incorporate digital tools seamlessly into their financial processes (Suartika & Widhiyani, 2017). In the realm of digital accounting improvement, acknowledging and fostering these technical skills becomes imperative for ensuring successful integration and optimization of digital technologies, mirroring the broader landscape of

individuals' journeys into the digital realm. The investment in technology and upskilling of employees by companies reflects the proactive stance required to thrive in this changing landscape. Recognizing that the cost of not embracing technological advancements may outweigh the initial investments, the symbiotic relationship between human expertise and technological capabilities is positioned as the key to success. The call for ongoing research serves as a strategic guide, helping stakeholders in the accounting and auditing realms make informed decisions in an ever-evolving future (Kruskopf et al., 2020).

Barriers to Digital Tech in Accounting

The advantages and functions of digitalizing accounting have a profound impact, encompassing support for recording day-to-day transactions, formulating annual income and expenditure budgets, and generating yearly financial reports. Moreover, the adoption of financial digitization streamlines tasks, accelerates processes, and enhances precision, thereby minimizing human errors. The viability assessment for implementing accounting digitization involves employing the payback period method (Nurhayati et al., 2023). The results indicate that the feasibility of accounting digitization in higher education is established, with a payback period of three years and two months, surpassing the stipulated requirement of a four-year payback period.

Digital transformation yields significant advantages for accounting services enterprises, enhancing productivity, efficiency, and freeing up time for value-added tasks. Despite being in its early stages among SMEs, the adoption of technologies like OCR, AI, and the cloud is noteworthy. However, barriers such as resistance to change, organizational culture, and cost hinder the full realization of digital transformation in accounting practices. The study emphasizes the need for seamless integration, interoperability of IT solutions, and cultural adaptation within organizations to unlock the full potential of digital technologies (Gonçalves et al., 2022). While acknowledging the unanimous recognition of benefits like task automation and error reduction, the discussion underscores the challenges posed by resistance to change and the organizational culture in the accounting sector's digital transformation journey. Additionally, the study recognizes the importance of addressing cybersecurity and data protection concerns in the context of accounting data. In essence, the findings shed light on both the promises and hurdles faced by Portuguese accounting services SMEs in embracing digital technologies.

CONCLUSION

In conclusion, Indonesia's Micro, Small, and Medium Enterprises (UMKM) are pivotal for the nation's economy, contributing significantly to

employment and GDP. Despite widespread internet use among UMKM, challenges hinder the full adoption of digital accounting tools. The Ministry of Cooperatives and SMEs recognizes UMKM's economic role but highlights obstacles like limited financial support and innovation. This research, employing a literature review from SINTA and SCOPUS databases over the past decade, underscores the importance of digitalization in enhancing UMKM's financial practices and access to funding. However, challenges persist, especially in rural areas, where costs and digital literacy are obstacles.

Technical skills are identified as vital for successful digital accounting adoption, emphasizing the need for proficiency in software understanding, data security, and analytical capabilities. Barriers to digital technology adoption in accounting, including resistance to change and organizational culture, are discussed, emphasizing the transformative benefits of digitalization but acknowledging challenges. In practical terms, the research aims to contribute by exploring factors influencing e-accounting in UMKM and underscores the need for infrastructure support and improved digital skills. Addressing digital literacy gaps, promoting technical skill development, and overcoming barriers are crucial for unlocking the full potential of accounting digitalization in UMKM.

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