



DOI: <https://doi.org/10.38035/sijet.v3i2>
<https://creativecommons.org/licenses/by/4.0/>

The Importance of Accounting Digitalization for Micro, Small, and Medium Enterprises (MSMEs)

Firdaus Hadi¹

¹Universitas Jambi, Jambi, Indonesia, firdaushadi36@gmail.com

Corresponding Author: firdaushadi36@gmail.com¹

Abstract: In the era of digital transformation, Micro, Small, and Medium Enterprises (MSMEs) are required to improve efficiency and transparency in financial management. One of the main strategies that can be implemented is accounting digitalization, namely the use of digital-based technology to systematically record, process, and present financial information. This study aims to examine the importance of accounting digitalization for MSMEs in improving operational efficiency, financial reporting accuracy, and expanding access to formal financing. Using a literature study approach, this article analyzes various empirical and conceptual findings from relevant previous research. The results of the study indicate that accounting digitalization not only improves the accuracy and speed of financial recording but also encourages transparency, accountability, and credibility of financial reports required by financial institutions, investors, and regulators. Therefore, the adoption of accounting digitalization is an urgent need for MSMEs in facing the dynamics of the digital economy and increasingly fierce market competition.

Keyword: Accounting Digitalization, MSMEs.

INTRODUCTION

Dynamic changes in the business world present unique challenges to competing in the global market. Business competition can occur within large, medium, and small-scale companies in any country. It is undeniable that business digitization has penetrated the current era and is being implemented by business actors to support business operations. Company performance is evaluated based on financial performance over a one-year period, and financial reports are the output used as a benchmark for company performance. In producing financial reports, the use of technology plays a crucial role in providing information quickly and efficiently. Companies can adopt accounting information systems provided by software developers or modify systems to suit their needs (Dewi et al., 2024).

The concept of digitalization is the process of converting printed documents into electronic ones. The implementation of digitalization requires all business sectors to shift from manual to automated systems. The use of digitalization provides information that can be stored, managed more easily and efficiently and then the information is used by those who need it (Krisdiyawati & Maulidah, 2023)

The rapid advancement of technology and information following the COVID-19 pandemic, which necessitated social distancing to reduce the spread of the coronavirus, has resulted in everything being digitally enabled. This rapid technological and information transformation can present both challenges and opportunities for the resilience of individuals, communities, and organizations. The challenges include restrictions on economic activity, forcing organizations/companies to adapt to these changes. The opportunities lie in leveraging technological advances to transform, create, and implement ideas and innovations online (Dwirini et al., 2025).

Accounting is an integral part of economic activity. From individuals to large corporations, accounting systems are used, both in their simplest forms and at the most complex levels. Accounting is essential for nearly all economic activities, including Micro, Small, and Medium Enterprises (MSMEs) to understand their financial condition (Danuta & Priyatama, 2022).

Indonesia is a developing country, with a strong focus on development and economic growth. One type of business that contributes significantly to economic growth and development in developing countries is Micro, Small, and Medium Enterprises (MSMEs) (Setiawan et al., 2023).

Data obtained from the Indonesian Chamber of Commerce and Industry (Kadin) (2022) shows that the number of MSMEs in 2020 was 64 million, 65.46 million in 2021, and 65 million in 2022. This positive growth rate has a positive impact on development in Indonesia, resulting in MSMEs being highlighted by regulators and market players. The digitization of accounting information has a significant impact on the profitability and productivity of Micro, Small, and Medium Enterprises (MSMEs) (Julianto et al., 2022).

MSMEs are one of the sectors that support the Indonesian economy. Besides cumulatively supporting the economy, these business units are also an option for Indonesians to meet their daily needs. The Indonesian government has begun to pay attention to MSMEs by providing capital assistance. Furthermore, the government is encouraging cooperation and collaboration between MSMEs with large institutions at home and abroad. However, potential partners, including the government, require MSMEs to maintain clear financial records (Cahyadi et al., 2023).

Adopting accounting digitization is crucial for MSMEs to achieve greater efficiency in accounting procedures, enabling them to enhance their accounting capabilities for ease in bookkeeping, invoicing, auditing, and taxation processes (Dewi et al., 2022). The use of digital technology in financial and management accounting helps MSMEs calculate, report, transmit, and interpret financial data faster, more efficiently, and effectively, which can improve their financial and non-financial performance (Anjarwati et al., 2023).

In terms of efficiency, digitalization can reduce administrative burdens that previously consumed significant time and resources. Furthermore, digitalization can improve the quality of financial reports, such as data reliability, compliance with accounting standards, and ease of financial analysis. This is crucial, particularly for supporting strategic decision-making, improving access to financing, and meeting increasingly complex regulatory requirements. However, various studies show that not all MSMEs are able to optimally adopt accounting digitalization. Factors such as lack of training, budget constraints, and a lack of technological infrastructure support are key obstacles. Therefore, a more in-depth analysis is needed to understand the extent to which accounting digitalization can impact the efficiency and quality of MSME financial reports, as well as the factors that influence its success rate (Lestari et al., 2025).

METHOD

This research uses a descriptive qualitative approach with a literature review as the basis for analysis. This literature review was chosen because it is conceptual in nature and

aims to explore theories, previous research findings, and current practices related to accounting digitalization and its impact on MSMEs. This approach is considered relevant for gaining in-depth understanding and building a theoretical framework for further research (Snyder, 2019).

The data sources in this study consisted of various secondary literature, including scientific articles published in accredited journals and relevant documents. The literature reviewed was selected based on criteria such as recency (the last 5–10 years), relevance to the topic, and academic quality.

Furthermore, this study employs a narrative review method, which aims to develop a conceptual synthesis of various previous studies and highlight the relationships between key concepts (Baumeister & Leary, 1997). Thus, this article not only describes empirical conditions but also establishes a theoretical basis that can serve as a reference for future quantitative research or field studies, particularly those related to digital transformation in MSME financial management.

RESULTS AND DISCUSSION

MSMEs often face significant challenges in financial management and marketing. They also frequently face limited access to technology, education, and resources that could improve their competitiveness in an increasingly competitive market. Digital technology and modern accounting practices can provide solutions to these challenges by providing the tools needed to increase sales and manage finances more effectively (Hasanah, 2024).

The development of digital technology has significantly impacted internal control in accounting information systems, including the quality and quantity of information generated in financial reports. Digitization and the use of technological tools in corporate financial management activities, particularly in the MSME sector, can improve cost efficiency, performance quality, and governance (Shirlyani, 2018).

MSME performance can be measured by the profits earned over a period, and AIS digitalization can help owners and management assess this financial performance. A benchmark for MSME success can be seen from business performance over a specific period, a critical aspect to be further explored in this study. AIS digitalization has significantly changed MSME business processes, reflecting the impact felt by MSME business actors (Dewi et al., 2024).

Good accounting digitization practices are crucial for effective financial management. Digital accounting theory explains how digital technologies, such as accounting software and applications, are transforming the way MSMEs record transactions and report finances. With digitization, accounting practices become more structured and integrated, enabling real-time data accessibility. This theory also emphasizes that the use of digital technology helps MSMEs comply with financial and tax regulations more easily. Assistance in accounting digitization practices for MSMEs includes the following aspects (Hasanah, 2024):

1. **Digital Bookkeeping System:** The use of simple accounting software to automatically record financial transactions. This includes recording income and expenses and preparing financial reports.
2. **Cash Management and Cash Flow:** Training in cash flow management to ensure that MSMEs can manage expenses and income well and avoid cash shortages that can hamper business operations.
3. **Budget Planning:** Assisting MSMEs in developing a realistic annual budget and strategies to achieve financial goals. A sound budget aids in planning and managing operational costs.
4. **Financial Reporting and Tax Compliance:** Ensuring that MSMEs understand their tax reporting obligations and can prepare financial reports in accordance with accounting standards. This helps MSMEs maintain legal compliance and avoid sanctions.

A systematic recording system produces reliable reports for decision-makers, and financial reports can be monitored in real time and accessed from anywhere. This statement in Schumpeterian theory aligns with the innovations emerging from the adoption of digital transaction recording systems for MSMEs, replacing manual ones. Innovation is synonymous with accounting transformation, which transforms all manual processes into automated ones. Digitalization efforts applied to accounting provide convenience for users, as all transactions can be quickly tracked, and financial reports can be generated automatically (Dewi et al., 2024).

Financial reports generated by the system can be obtained quickly and more accurately than manual methods, because all input transaction data has been automated into a report. The link between AIS implementation and the sustainability of MSMEs can have a positive impact on MSME development, particularly on their ability to compete with other similar competitors in the digital era. MSMEs that are able to follow and adopt technological developments have a higher competitiveness compared to those that are not (Anjarwati et al., 2023).

In today's digital era, the use of digital bookkeeping has become a necessity to increase the competitiveness and efficiency of MSMEs. To support MSMEs that have not yet switched to digital bookkeeping, comprehensive counseling is needed regarding the benefits, how to use it, and solutions to problems such as costs or technological complexity. Furthermore, for MSMEs that do not have computers or laptops, bookkeeping applications accessible via smartphones, such as BukuKas or BukuWarung, can be an alternative. Therefore, the use of digital accounting not only improves the accuracy of financial reports but also helps small and medium enterprises (MSMEs) grow faster and become more competitive amidst the challenges of the digital era (Fitriandinni & Riyadi, 2025).

CONCLUSION

Based on the conceptual study conducted, it can be concluded that accounting digitalization has a significant and positive impact on increasing cost efficiency, financial reporting accuracy, and access to financing in the Micro, Small, and Medium Enterprises (MSMEs) sector. Digital transformation in accounting systems makes it easier for MSMEs to record, manage, and report their finances more systematically, quickly, and accurately.

In terms of cost efficiency, digital accounting enables MSMEs to reduce reliance on manual record-keeping, conserve human resources, and reduce operational costs. In terms of financial reporting accuracy, the use of cloud-based or mobile accounting applications significantly assists MSMEs in producing more accurate and standardized financial reports.

Thus, accounting digitalization is not just a technical solution, but also a fundamental strategy for improving the competitiveness and sustainability of MSMEs in the digital economy era. Moving forward, support from various parties, including the government, academics, and technology providers, is needed to ensure a more inclusive and widespread adoption of accounting digitalization across all levels of MSMEs.

REFERENSI

- Anjarwati, S., Zaena, RR, Fitrianingsih, D., & Sulistiana, I. (2023). The effect of accounting digitalization on efficiency and cost reduction in MSME entrepreneurial companies in Bandung City. *Jurnal Aktiva: Riset Akuntansi dan Keuangan*, 5 (1), 57-72.
- Baumeister, R.F., & Leary, M.R. (1997). Writing narrative literature reviews. *Review of General Psychology*, 1 (3), 311–320. <https://doi.org/10.1037/1089-2680.1.3.311>
- Cahyadi, RU, Aulia, TZ, Rusgowanto, FH, Hijriah, A., Afifi, Z., Adhani, I., & Merosea, N. (2023). Introduction to Simple Accounting Digitalization in an Effort to Increase Competitiveness and Market Access for MSMEs in Pagedangan Village. *Where Theory, Practice, Experience & Talent Meet, TPeT*, 3 (1), 19-26.

- Danuta, KS, & Priyatama, T. (2022). Development of Micro, Small, and Medium Enterprises with Accounting Digitalization. *WIKUACITYA: Journal of Community Service*, 1 (1), 29-33.
- Dewi, GA, Wulandari, AAI, & Sanjiwani, PDA (2024). Digitalization of Accounting Information Systems on the Performance and Sustainability of MSMEs in Indonesia. *Competitive Accounting Journal*, 7 (2), 220-226.
- Dewi, LIW, Hilendri, BA, & Kartikasari, N. (2022). Factors Influencing the Digitalization of Accounting Information in MSMEs in Mataram City. *Research, Economics, Accounting and Taxation (Rekan)*, 3(2), 121–136
- Dwirini, D., Zuhroh, S., & Subekti, R. (2025). Accounting Digitalization, Competition, and Social Networks in Palembang Culinary MSMEs. *Owner: Research and Accounting Journal*, 9 (1), 529-541.
- Fitriandinni, RMN, & Riyadi, S. (2025). Implementation of Digital Accounting in the Digitalization Era to Improve the Performance of MSMEs in Tambak Sawah Waru Village, Sidoarjo. *Journal of Accounting, Management and Economics (Jasmien)*, 5 (02), 303-311.
- Hasanah, R. (2024). Transformation of Village MSMEs Through Digital Technology and Accounting Practices. *Journal of Islamic Economics and Business (JEBI)*, 4 (2), 135-147.
- Julianto, IP, Wiguna, IGNH, & Yasa, INP (2022). Analysis of the Digitalization of Accounting Information Systems in Supporting the Sustainability of MSMEs During the Pandemic (Study on MSMEs in Buleleng Regency). *JIMAT (Scientific Journal of Accounting Students) Undiksha*, 13 (04), 1277–1284.
- KADIN. (2022). Data and Statistics on Indonesian MSMEs. <https://kadin.id/en/data-dan-statistik/umkm-indonesia/>
- Krisdiyawati, K., & Maulidah, H. (2023). Analysis of digital accounting implementation for financial recording in MSMEs. *Politala Accounting Research Journal*, 6 (1), 100-106.
- Lestari, MD, Prayoga, Y., & Ritonga, M. (2025). The Effect of Accounting Digitalization on the Efficiency and Quality of Financial Reports of MSMEs in Rantauprapat. *Journal of Informatics Media*, 6 (3), 2029-2036.
- Setiawan, A., Widyastuti, RD, & Sari, W. (2023). Analysis of factors influencing the preparation of financial reports in micro, small, and medium enterprises (MSMEs) in Pontianak City. *Journal of Accounting, Auditing, and Investment*, 3 (2), 28-36.
- Shirlyani, S., Djaddang, S., & Darmansyah, D. (2018). The role of accounting information system use in small businesses in Greater Jakarta with environmental uncertainty as a moderator. *JRAP (Journal of Accounting and Taxation Research)*, 5 (02), 144-155.
- Snyder, H. (2019). Literature review as a research methodology: An overview and guidelines. *Journal of Business Research*, **104**, 333–339. <https://doi.org/10.1016/j.jbusres.2019.07.039>