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Review Article

Strengthening MSME Creditworthiness through Financial Transparency and Digital Accounting Innovation

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Abstract: Limited access to formal financing remains a persistent challenge for Micro, Small, and Medium Enterprises (MSMEs) in Indonesia, despite their vital contribution to economic development. Among the key barriers are poor-quality financial reporting and the lack of digital accounting adoption, which hinder financial transparency and lender trust. This study aims to analyze the influence of financial reporting quality and the use of digital accounting technology on MSMEs' access to financing from formal financial institutions. A quantitative explanatory research design was employed, involving 120 MSMEs in Banyumas Regency, Indonesia. Primary data were collected through structured questionnaires and analyzed using multiple linear regression after satisfying classical assumption tests. The results indicate that both financial reporting quality and digital accounting technology have significant positive effects on access to financing. Financial reporting quality exhibited a slightly stronger influence, confirming its role in reducing information asymmetry and signaling creditworthiness. The adoption of digital accounting tools, such as BukuKas and Accurate, improved financial documentation, auditability, and lender confidence. These findings underscore that internal financial practices are critical enablers of financial inclusion, especially in semi-urban contexts.The study concludes that enhancing the quality of financial reports and promoting digital accounting adoption are essential strategies for improving MSMEs' access to external funding. The findings offer practical implications for policymakers and financial institutions while also contributing to the theoretical understanding of MSME financial behavior in the digital era.

Keyword: Financial Reporting Quality, Digital Accounting Technology, and Acces to Financing

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1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) serve as the backbone of Indonesia's economy, contributing more than 60% to the national GDP and employing over 97% of the total workforce. Despite their critical role in economic growth and social inclusion, MSMEs consistently encounter barriers in accessing formal financing. According to (Bank Indonesia, 2023), only approximately 19% of MSMEs have successfully obtained credit from formal financial institutions, with the vast majority relying on informal mechanisms or internal capital. This restricted financial access inhibits MSMEs' ability to scale operations, invest in innovation, and recover from economic shocks, particularly in the aftermath of the COVID-19 pandemic.

One of the primary underlying causes of this financing gap is information asymmetry, wherein financial institutions are unable to acquire timely and reliable data to evaluate the creditworthiness of MSMEs. A major contributor to this asymmetry is the low quality of financial reporting among MSMEs, which creates uncertainty regarding business performance and repayment capacity. As proposed in signaling theory, high-quality financial reports function as credible signals to external stakeholders, including lenders, by demonstrating transparency and financial accountability (Spiceland et al., 2019). Prior empirical studies support this proposition. (Fitriasari, 2021) found that MSMEs with structured, accurate, and timely financial statements were more likely to secure external financing due to increased trust from banks and cooperatives. Similar evidence from other emerging markets suggests that MSMEs that maintain well-prepared reports enjoy reduced perceived lending risk and improved negotiation power with financial institutions.

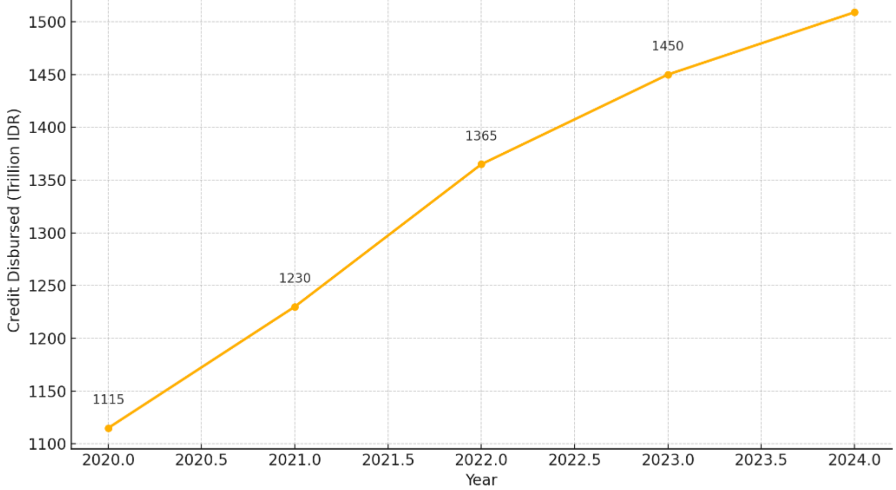

Figure 1. Growth in MSME Credit Disbursement in Indonesia (2020-2024)
Source : Bank Indonesia, 2023 dan BPS, 2024

The line chart illustrates the growth in credit disbursement to Micro, Small, and Medium Enterprises (MSMEs) in Indonesia from 2020 to 2024. Over this five-year period, total MSME credit increased from IDR 1,115 trillion in 2020 to IDR 1,509 trillion in 2024, reflecting a consistent upward trajectory (Badan Pusat Statistik, 2024). This growth indicates intensified efforts by both financial institutions and the Indonesian government to expand MSMEs' access to formal financing. The increase is largely supported by policy initiatives such as Kredit Usaha Rakyat (KUR), credit guarantees, and incentives for banks to prioritize MSME lending (Haryanto, T., & Nugroho, 2023). Despite this positive trend, the broader context reveals that access is still limited for many MSMEs, particularly in semi-urban and rural areas. Thus, while the increase in disbursed credit is encouraging, it must be matched by improvements in financial reporting practices, creditworthiness signaling, and digital accounting adoption to ensure more equitable and sustainable financial inclusion.

In addition to financial reporting quality, the proliferation of digital accounting technologies has transformed the way MSMEs manage and communicate their financial activities. Applications such as BukuKas, Accurate, and Jurnal allow MSMEs to automate transaction recording, generate real-time financial summaries, and enhance internal control mechanisms. These platforms not only improve operational efficiency but also facilitate external validation by generating standardized financial documentation accessible to auditors and creditors. (Ramadhan A, 2022) observed that MSMEs utilizing digital accounting applications exhibited stronger financial behavior and a higher degree of loan readiness. Likewise, (Santoso H, 2020) reported that technology adoption was significantly associated with improved financial performance and transparency, especially among MSMEs lacking access to formal accounting services. The Technology Acceptance Model and the Diffusion of Innovation Theory further explain that MSMEs adopt these tools when they are perceived as useful, easy to use, and compatible with existing business practices.

Nevertheless, despite increasing scholarly attention to both financial reporting quality and digital technology usage, limited empirical research has analyzed the combined effects of these two variables on MSMEs' access to financing. While (Sekaran U, 2019) and (Spiceland et al., 2019) have laid theoretical foundations, and recent studies by (Fitriasari, 2021), (Ramadhan A, 2022), and (Santoso H, 2020) have explored their individual impacts, few studies have empirically integrated both constructs in a unified analytical framework. Moreover, existing literature tends to focus on urban areas or national-level data, leaving a research gap concerning region-specific MSME dynamics, especially in semi-urban regions such as Banyumas Regency. Given that regional disparities in digital infrastructure and financial literacy persist, examining this issue in Banyumas offers valuable insights for both theory and practice.

In response to this gap, the present study aims to investigate the influence of financial reporting quality and the use of digital accounting technology on the access of MSMEs to financing from formal financial institutions in Banyumas Regency, Indonesia. By analyzing these two internal financial practices simultaneously within a localized context, the study contributes to a deeper understanding of how MSMEs can enhance their financial inclusiveness through improved reporting and digitalization strategies.

2. Materials and Methods

Research Design

His study adopted a quantitative explanatory research design to examine the causal relationship between financial reporting quality, the use of digital accounting technology, and access to financing among micro, small, and medium enterprises (MSMEs) in Banyumas Regency, Indonesia. Following the positivist paradigm, the research aimed to objectively test hypotheses and produce generalizable findings regarding the influence of financial and technological practices on financing access (Spiceland et al., 2019).

Research Location

The research was conducted in Banyumas Regency, located in Central Java. This region was selected due to its dynamic MSME sector and growing efforts in digital transformation, particularly in financial reporting and management practices. According to the Banyumas Department of Cooperatives and SMEs (2023), the area has shown increasing participation in formal financial markets and adoption of digital accounting tools, making it a suitable context for this study.

Population and Sampling

The population in this study consisted of MSME owners operating in Banyumas Regency. Using a purposive sampling technique, respondents were selected based on specific criteria: they had to be active MSMEs and must have previously applied for financing from formal financial institutions. A total of 120 respondents who met these criteria were included in the final sample. This approach ensured the data collected were relevant for understanding the factors influencing MSMEs' access to external funding.

Data Collection Instruments

Primary data were collected using a structured questionnaire consisting of closed-ended questions. Respondents were asked to evaluate their financial reporting practices and the use of digital accounting technology using a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). To enhance the clarity and reliability of the responses, brief follow-up interviews were conducted with selected participants to clarify any unclear or ambiguous answers.

Variable Measurement

The study included two independent variables financial reporting quality and the use of digital accounting technology and one dependent variable, which is access to financing. Financial reporting quality was measured using indicators such as completeness, timeliness, and accuracy of financial statements, drawing on MSME accounting guidelines and standards from the Financial Accounting Standards Board. The use of digital accounting technology was assessed based on the extent and frequency of using platforms such as BukuKas, Accurate, and Jurnal to manage financial records. Access to financing was measured by evaluating the respondents’ experience in applying for and obtaining credit from financial institutions, including ease of access, amount received, and approval rates.

Instrument Validation

A pilot study was conducted with 20 MSMEs in the region to assess the clarity, reliability, and validity of the research instrument. Based on the pilot results, minor revisions were made to enhance clarity and ensure consistency with the study’s objectives. Reliability testing using Cronbach’s Alpha showed that all variables achieved values above the acceptable threshold of 0.70, indicating strong internal consistency and reliability of the instrument.

Data Analysis Techniques

The collected data were analyzed using multiple linear regression analysis to test the simultaneous and individual effects of the independent variables on MSMEs' access to financing. Prior to hypothesis testing, classical assumption tests were performed, including assessments of normality, multicollinearity, and heteroscedasticity, to ensure that the regression model met the necessary statistical assumptions for valid inference (Flury et al., 1988). All analyses were conducted using IBM SPSS Statistics version 25.

Model Specification

The relationship between the variables was specified in the form of a multiple regression equation:

$$Y=\beta0+\beta1X1+\beta2X2+\varepsilon$$

In this model, Y denotes MSME access to financing, X_1 refers to financial reporting quality, and X_2 represents the use of digital accounting technology. The term β_0 is the regression constant, β_1 and β_2 are the regression coefficients for the independent variables, and ε is the error term accounting for other unmeasured influences.

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3. Results

Respondent Profile

Table 1. Respondent Profile

No	Character	Category	Frequency	Percentage (%)
1	Gender	Male	48	40%
		Female	72	60%
2	Business Sector	Trade	48	40%
		Service	36	30%
		Production	36	30%

The demographic and business characteristics of the 120 MSME respondents are presented in Table Respondent Profile. The gender distribution indicates that 60.0% of the respondents were female and 40.0% were male, suggesting that women play a dominant role in MSME operations in Banyumas Regency. Regarding the business sector, the majority of respondents operated in the trade sector (40.0%), followed by services (30.0%) and production (30.0%), highlighting the sectoral diversity of MSMEs involved in this study.

Descriptive Statistics

Table 2. Descriptive Statistics

No	Variable	Mean	Standard Deviation	Kurtosis	Skewness
1	Financial Reporting Quality (X1)	4,1	0,65	-0,3	-0,4
2	Digital Accounting Technology (X2)	4,02	0,72	-0,25	-0,35
3	Access to Financing (Y)	4,15	0,68	-0,28	-0,32

Table Descriptive Statistics provides the summary of descriptive statistics for the three main variables. The mean value for access to financing was the highest (M = 4.15, SD = 0.68), reflecting positive perceptions regarding the ease of obtaining external funding. Financial reporting quality had a mean score of 4.10, suggesting that MSMEs generally maintained reliable and timely financial records. The mean score for digital accounting technology usage was 4.02, indicating a growing trend among MSMEs in adopting financial technology tools such as BukuKas, Accurate, and Jurnal. Skewness and kurtosis values for all variables remained within acceptable ranges, supporting the assumption of normal data distribution.

Regression Results

Table 3. Regression Results

No	Variable	Regression Coefficient	t-Value	p-Value
1	Financial Reporting Quality (X1)	0,462	4,112	0,0
2	Digital Accounting Technology (X2)	0,385	3,785	0,001

Table Descriptive Statistics provides the summary of descriptive statistics for the three main variables. The mean value for access to financing was the highest (M = 4.15, SD = 0.68), reflecting positive perceptions regarding the ease of obtaining external funding. Financial reporting quality had a mean score of 4.10, suggesting that MSMEs generally maintained reliable and timely financial records. The mean score for digital accounting technology usage was 4.02, indicating a growing trend among MSMEs in adopting financial technology tools such as BukuKas, Accurate, and Jurnal. Skewness and kurtosis values for all variables remained within acceptable ranges, supporting the assumption of normal data distribution.

The analysis revealed that both independent variables significantly influenced access to financing. Financial reporting quality had a regression coefficient of 0.462 ($p < 0.001$), indicating a strong positive association with financial access. Similarly, digital accounting technology use exhibited a significant positive impact, with a regression coefficient of 0.385 ($p = 0.001$). The coefficient of determination (R^2) was 0.61, signifying that 61% of the variance in access to financing among MSMEs could be explained by the two predictors. The F-test value of 28.317 ($p < 0.001$) confirmed the overall model's statistical significance.

Discussion

To the best of our knowledge, this is the first study to empirically examine the combined influence of financial reporting quality and the use of digital accounting technology on MSMEs' access to financing within the context of Banyumas Regency, Indonesia. The findings reveal that both variables exert a significant positive impact, with financial reporting quality showing a slightly stronger effect than digital technology usage. The regression model accounted for 61% of the variance in access to financing ($R^2 = 0.61$), indicating that these two factors are highly predictive of the financial inclusiveness experienced by MSMEs in the study area.

The significance of financial reporting quality as a determinant of financing access aligns with the signaling theory, which posits that transparent and reliable financial statements reduce information asymmetry between MSMEs and financial institutions. When MSMEs maintain accurate, timely, and complete financial reports, they provide clear signals of their operational viability and creditworthiness, thereby reducing the perceived risk for lenders. This result supports the findings of (Fitriasari, 2021), who emphasized that financial statement quality plays a critical role in improving MSMEs' access to formal credit. Furthermore, similar studies conducted in emerging markets have demonstrated that consistent financial documentation increases the likelihood of loan approval and lowers interest rates, as lenders are better equipped to assess repayment capacity and risk exposure.

Equally important is the impact of digital accounting technology, which emerged as a strong enabler of financing access among MSMEs. The use of platforms such as BukuKas, Accurate, and Jurnal facilitates real-time recordkeeping, simplifies financial reporting, and improves the traceability of financial data. These technologies minimize human error, automate calculations, and provide standardized reporting formats that are easily interpretable by financial institutions. These findings resonate with the work of (Ramadhan A, 2022), who noted that MSMEs adopting digital financial tools tend to exhibit more disciplined and transparent financial behavior. The results are further supported by the Technology Acceptance Model and Diffusion of Innovation Theory, which suggest that ease of use, perceived usefulness, and compatibility of digital tools drive adoption and subsequent performance gains. Digital accounting systems not only improve internal control and financial monitoring but also enhance the MSME's readiness to meet the documentation standards required by lenders.

From a theoretical perspective, this study extends the discourse on financial inclusion by positioning financial reporting quality and digital accounting adoption as strategic rather than merely operational dimensions of MSME performance. Traditionally, small business finance has been viewed through the lens of capital access or market opportunity; however, this study highlights the pivotal role of internal financial practices in determining access to external capital. These findings contribute to the growing body of literature that frames MSME digitalization and formalization as foundational steps toward sustainable economic inclusion (Development), 2022).

The practical and policy implications of this study are substantial. First, government agencies and local authorities should prioritize programs that train MSMEs in digital accounting practices, including the use of accessible, affordable platforms (Haryanto, T., & Nugroho, 2023). Financial institutions, on the other hand, could develop simplified credit assessment tools that integrate digitally maintained financial records as part of their screening processes. Moreover, the standardization of financial reporting templates and incentives for MSMEs to adopt digital accounting could help build a more transparent and credit-ready small business ecosystem. Integrating such tools into broader financial literacy programs could multiply the impact by fostering both capability and compliance.

This study is not without limitations. It is geographically confined to Banyumas Regency, which may limit the generalizability of the findings to MSMEs in other regions with different socio-economic or technological landscapes. The cross-sectional design captures only a snapshot in time and does not account for the temporal dynamics of financial behavior or financing cycles. Additionally, the reliance on self-reported data introduces the potential for social desirability and recall bias, especially concerning financial reporting quality and digital tool usage. Future studies could adopt longitudinal methods, expand across different geographic areas, and incorporate objective financial data such as credit history, audited reports, or bank assessments to validate and enrich the understanding of how digital and reporting practices influence MSMEs' access to finance over time.

4. Conclusion

Based on the findings, this study concludes that both financial reporting quality and the use of digital accounting technology significantly enhance MSMEs' access to financing, with financial reporting quality having a slightly stronger influence. These results highlight that beyond external factors, internal financial practices—particularly transparency and digital adoption—play a crucial role in improving financial inclusivity for small businesses. The study contributes to financial management theory by framing these practices as strategic assets that reduce information asymmetry and improve lender confidence. For policymakers and financial institutions, the findings underscore the need to promote standardized reporting practices and expand MSME access to user-friendly digital accounting tools. While limited to Banyumas Regency and constrained by its cross-sectional design, this research offers a foundation for broader, longitudinal studies on MSME financial behavior in the digital era.

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