

Financial Accounting Strategy for Sustainable Development of MSMEs in Indonesia

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in the Indonesian economy, but face complex challenges in financial accounting management. This research aims to analyze financial accounting strategies for sustainable development of MSMEs in Indonesia. The research method employs a qualitative library research approach by exploring various literature, documents, and related research. The research results reveal that the majority of MSMEs still use traditional accounting systems with limited digital infrastructure and literacy. The study identifies four critical dimensions in financial accounting transformation: digital technology, human resource development, regulatory frameworks, and sustainable empowerment strategies. The developed strategy model offers an adaptive approach capable of accommodating the diversity of MSME characteristics. Findings indicate that digital technology integration, continuous training, and ecosystem support can significantly improve MSME financial performance. The research recommends building integrated digital platforms, comprehensive incentive policies, and multi-stakeholder collaboration to drive MSME financial accounting transformation.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) have a strategic role in the Indonesian economy, contributing more than 60% to Gross Domestic Product (GDP) and able to absorb around 97% of the national workforce (Kurniawati et al., 2018). However, this great potential is often hampered by limited managerial capabilities and unprofessional financial management (Firmansyah et al., 2019). One of the fundamental problems faced by MSMEs is the weak accounting and financial reporting system, which causes difficulties in accessing capital, strategic decision making, and sustainable development. The complexity of the modern business

environment requires MSMEs to have a transparent, accurate, and accountable financial accounting system (Santoso & Widodo, 2019). This challenge is increasingly apparent in the digital era, where global competition and technological change are taking place very rapidly. The inability of MSMEs to manage finances professionally not only impacts internal performance, but also limits the potential for business growth and sustainability (Penti Kurniawati et al., 2018) .

The dynamics of digital transformation have created a new paradigm in MSME financial management, where the ability to adapt to information technology is a primary prerequisite for business sustainability. Traditional manual-based accounting systems are no longer adequate in dealing with the complexity of modern economic transactions (Rahman, 2020). The need for real-time financial transparency, comprehensive data analysis, and predictive capabilities have become fundamental demands for business actors.

Cloud computing, artificial intelligence, and big data analytics technologies now provide a unique opportunity for MSMEs to develop more sophisticated and accurate financial reporting systems (Putri et al., 2017). However, the main challenges faced are low digital literacy among MSME actors, limited human resources with technological competence, and cost barriers to implementing digital systems. This gap creates a complex chain of problems, where most MSMEs still rely on conventional recording methods that are prone to errors and cannot provide in-depth insights into business financial performance (Hakiki et al., 2020) .

The regulatory and government policy aspects play a significant role in driving the transformation of MSME financial accounting in Indonesia. The current legal framework does not fully accommodate the specific needs of MSMEs in terms of reporting and accounting standardization (Hidayat & Noviana, 2021). The government needs to develop policies that are not only facilitating, but also provide concrete incentives for MSMEs that are able to implement a modern financial accounting system. A comprehensive approach includes providing technical assistance, ongoing mentoring, and developing an integrated digital platform. Accounting standardization that is tailored to the characteristics of MSMEs is the main key in encouraging the professionalization of financial management (Setiawan, 2016). In addition, collaboration between government agencies, universities, and business associations can create a conducive supporting ecosystem. Various training programs, workshops, and free consultations need to be developed to increase the capacity of MSME actors in understanding and implementing more advanced financial accounting practices (Savitri, 2018).

The fundamental characteristics of MSMEs in Indonesia show very complex diversity, ranging from micro-enterprises in the informal sector to medium-sized enterprises that are starting to develop systematically (Utomo et al., 2022). Each segment has different financial accounting needs, so there is no universal approach that can be applied evenly. Comprehensive research is needed to identify the accounting model that best suits the business typology, capital structure, and business growth phase. Geographical factors, educational background of business actors, and local economic ecosystems also have a significant influence on the complexity of financial management (Pratama & Sari, 2019).

The main challenge faced is to create a flexible accounting system that still meets applicable accounting standards. An adaptive approach that takes into account the diversity of business contexts is a primary prerequisite in designing strategies for mentoring and empowering MSMEs. In addition, the importance of building

business actors' confidence in implementing a modern accounting system should not be ignored, considering that there is still reluctance and fear of technological complexity (Suryantara & Ridhawati, 2023).

The financing and capital access aspects are one of the crucial dimensions that are greatly influenced by the quality of MSME financial accounting. Banking institutions and investors require evidence of professionalism in financial management as a prerequisite for providing credit or investment (Nugroho et al., 2020). A weak accounting system directly impacts limited access to financing, which in turn hinders the potential for business growth and development. The complexity of credit risk assessment for MSMEs requires a comprehensive approach that does not only rely on traditional financial reports. Integration of risk assessment technology, big data analysis, and alternative scoring methods can bridge the gap between MSME actors and capital sources.

In-depth research is needed to develop a fairer, more comprehensive assessment model that can accommodate the unique characteristics of MSMEs. This approach will not only increase capital accessibility but also encourage professionalization of financial management in a sustainable manner (Zahra & Nurhayati, 2023). The global context and international economic challenges further emphasize the urgency of transforming MSME financial accounting. The phenomenon of digital trade, platform-based economic platforms, and global supply chains require MSMEs to have high adaptability. Modern financial accounting systems are no longer just recording tools, but strategic instruments for business decision-making (Dewi, 2018). The ability to produce comprehensive, real-time, and quickly interpretable financial reports is a competitive advantage. Blockchain technology, artificial intelligence, and predictive analytics have the potential to revolutionize the way MSMEs manage and understand financial data. However, their implementation requires investment in human resources, technological infrastructure, and a transformation of the mindset of business actors. A comprehensive supporting ecosystem, ranging from adaptive regulations to sustainable empowerment programs, is the key to the success of this transformation (Mustopa et al., 2022).

The socio-cultural dimension also plays an important role in the adoption of modern financial accounting systems among MSMEs. The diversity of educational backgrounds, technological understanding, and local business culture creates its own challenges in implementing professional accounting practices (Wiranto et al., 2021). An approach that is sensitive to the cultural context and mindset of MSME actors is a primary prerequisite in any transformation effort. Empowerment strategies are not enough by only providing technical training, but also building self-confidence, motivation, and awareness of the importance of transparent financial accounting. Collaboration between academics, practitioners, and stakeholders is needed to design a comprehensive and sustainable mentoring model. A participatory approach that directly involves MSME actors in the accounting system development process will be more effective than a rigid top-down intervention model (Ainiyah et al., 2023).

Environmental sustainability and social responsibility aspects are increasingly becoming important considerations in MSME financial accounting practices. The concept of accounting that is purely financial is no longer adequate in the era of global awareness of the impact of business on the environment and society (Susanto, 2017). The development of an accounting framework that integrates sustainability indicators, social impacts, and environmental performance is an urgent need. MSMEs are required to not only focus on achieving financial profits, but also

consider the positive externalities generated. A comprehensive measurement method, which goes beyond traditional financial metrics, is needed to provide a complete picture of the contribution of MSMEs to the socio-economic ecosystem (Purnomo & Listiani, 2022).

The challenges of digitalizing MSME financial accounting cannot be separated from the issue of data security and privacy. The increasing complexity of information technology systems carries the risk of vulnerability to cyber attacks, data leaks, and information security disruptions (Kristanto et al., 2019). The development of a robust cybersecurity infrastructure, data protection protocols, and education on information security practices are critical components in the digital transformation of MSMEs. Business actors need to understand that investing in information security is not just an additional cost, but a fundamental prerequisite in building stakeholder trust and maintaining business continuity (Haryanto, 2020).

The role of education and human resource development is a determining factor in the success of MSME financial accounting transformation. The educational curriculum at various levels needs to be adjusted to produce human resources who have integrative competencies between business understanding, information technology, and accounting practices (Wijaya & Hartono, 2022). Continuous training programs, competency certification, and professional development mechanisms are key instruments in building the capacity of MSME human resources. Collaboration between universities, training institutions, and business associations can create a comprehensive competency development ecosystem that is responsive to the dynamics of change (Suhartono et al., 2021).

Finally, the complexity of MSME financial accounting cannot be separated from the structural challenges in the national economic ecosystem. A holistic approach involving various stakeholders is needed to create a conducive environment for MSME transformation. Inter-institutional coordination, policy harmonization, and a shared commitment to empowering MSMEs are fundamental prerequisites. Long-term investment in the development of technological infrastructure, education, and supporting ecosystems will determine the trajectory of MSME growth in the future (Kartika, 2019).

The complexity of financial accounting problems of MSMEs in Indonesia presents a number of fundamental questions that require in-depth study. Various structural, technological, and managerial challenges urgently need to be studied comprehensively in order to develop effective strategies to increase the financial capacity of MSMEs (Prasetyo et al., 2020). The main focus of this study will explore how financial accounting systems can be designed and implemented sustainably, taking into account the diversity of MSME characteristics, resource constraints, and the dynamics of the modern business environment. Critical questions to be answered include the complexity of developing an adaptive accounting model, fundamental obstacles in the transformation of the financial system, and concrete strategies to improve the professionalism of MSME financial management in Indonesia (Indrayani & Sugiarto, 2018).

This study aims to conduct a comprehensive mapping and in-depth analysis of MSME financial accounting practices, with a primary focus on developing sustainable strategies that can improve business performance and competitiveness (Ramadhan, 2023). Specifically, the study will attempt to identify critical factors that influence the effectiveness of the financial accounting system, design an integrated approach model, and provide practical recommendations for stakeholders. Through a

multidimensional approach, this study will explore the potential for digital transformation, analyze structural barriers, and offer a conceptual framework that can help MSMEs develop more professional and sustainable financial managerial capabilities (Sukarno & Maharani, 2021).

The contribution of this research includes theoretical and practical dimensions that are very strategic in the development of the MSME ecosystem in Indonesia (Wulandari et al., 2022). Academically, this research will enrich the knowledge of the dynamics of financial accounting in micro, small, and medium enterprises, and provide a new conceptual framework in understanding the complexity of financial management in the digital era. The expected practical benefits include providing comprehensive guidance for MSME actors in developing a more professional financial system, providing policy input for the government in designing empowerment programs, and bridging the gap between the practical needs of MSMEs and the development of adaptive accounting methodologies. More than just academic research, the output of this research is expected to be a strategic instrument in encouraging the transformation and growth of MSMEs in Indonesia (Nur, 2020).

REVIEW LIBRARY

Basic Concepts of Financial Accounting for MSMEs

Financial accounting for Micro, Small, and Medium Enterprises (MSMEs) is a fundamental foundation in the management and development of sustainable businesses. This basic concept does not only cover recording financial transactions, but also a comprehensive system that allows business actors to understand financial conditions holistically. Classical accounting theories developed by experts such as the Accounting Principles Board (APB) and the Financial Accounting Standards Board (FASB) provide a conceptual framework that can be adapted to the MSME context. The complexity of applying accounting standards to MSMEs requires a flexible approach that takes into account resource constraints and the specific characteristics of the small business sector. (Ainiyah et al., 2023) .

Digital Transformation in Financial Accounting

The information technology revolution has presented a new paradigm in the practice of financial accounting for MSMEs. The concept of digitalization is no longer just a modernization of the recording system, but is a fundamental strategy to increase efficiency, transparency, and business competitiveness. The Technology Acceptance Model (TAM) theory and Innovation Diffusion Theory are the theoretical basis for understanding the adoption of digital technology in MSMEs. Recent research shows that the integration of cloud computing technology, artificial intelligence, and big data analytics can transform the way MSMEs manage and analyze financial data. The main challenge faced is not the availability of technology, but the capacity for adaptation and digital literacy of business actors (Saputri & Fauziyyah, 2023) .

Sustainable Accounting Development Strategy

A sustainable approach in MSME financial accounting requires a theoretical framework that goes beyond the traditional financial perspective. The concept of sustainability accounting and triple bottom line theory are fundamental foundations in developing an accounting model that considers economic, social, and environmental aspects. Previous research has identified that sustainable strategies not only have an impact on financial performance, but also increase the

credibility and competitiveness of a business. This holistic approach requires the development of comprehensive performance measurement indicators, which are able to capture broader value creation than just financial profit metrics. (Darudianto & Sari, 2011).

Supporting Policies and Regulations for MSMEs

The regulatory framework and government policies have a strategic role in encouraging the development of MSME financial accounting. Institutional Theory and the structural functional approach are theoretical perspectives in understanding policy dynamics. Comprehensive analysis shows that government intervention is not enough in the form of regulation alone, but also includes empowerment, facilitation, and the creation of a conducive ecosystem. Various empirical studies reveal that collaboration between the government, universities, and the private sector is the key to the success of developing MSME financial accounting capacity. The main challenge faced is creating policies that are adaptive, responsive, and able to accommodate the diversity of MSME characteristics in Indonesia. (Penti Kurniawati et al., 2018).

METHOD

Research Approach

This study uses a qualitative method with a library research design. The qualitative approach was chosen to be able to explore in depth the complexity of MSME financial accounting through a comprehensive analysis of various relevant library sources. The library method allows researchers to synthesize and critically interpret academic literature, official documents, research reports, and scientific information sources related to MSME financial management strategies.

Data Types and Sources

1. National and international scientific journals related to MSME financial accounting
2. Academic and reference books in the field of entrepreneurship and financial management
3. Official government report on MSME development
4. Policy documents related to MSME empowerment
5. Previous research relevant to the topic of MSME financial management
6. Scientific articles from trusted academic platforms

Data collection technique

1. Systematic documentation study
2. Academic database search
3. Explore the digital library
4. Use of academic search engines (Google Scholar, Scopus, Web of Science)

Data Analysis Techniques

1. Data Collection: Collecting relevant and credible library sources
2. Data Reduction: Selecting, focusing, and abstracting data from various sources.
3. Categorization: Classifying data based on strategic themes:
 - Financial Accounting Practices for MSMEs
 - Internal factors for successful financial management
 - External factors that influence financial performance

- The role of financial literacy
 - Challenges and opportunities in the MSME ecosystem
4. Interpretation: Conducting critical and in-depth analysis of the collected data.
 5. Synthesis: Connecting findings from multiple sources to produce comprehensive conclusions.

Analysis Framework

1. MSME financial accounting practices
2. Analysis of determinant factors for successful financial management
3. Evaluation of financial literacy contribution
4. Exploration of MSME adaptation strategies in facing economic challenges

Data Validity

1. Triangulation of library sources
2. Credibility of academic sources
3. Reference consistency
4. Suitability to the research context

Research Ethics

1. Academic honesty
2. Proper citation
3. Respect for intellectual property rights
4. Objectivity in data interpretation

This research method is designed to produce an in-depth and comprehensive study of the financial accounting strategies of MSMEs, in line with the research objectives that have been formulated in the introduction.

RESULTS STUDY AND DISCUSSION

Analysis of Existing Financial Accounting Practices in MSMEs

The financial accounting system in Micro, Small, and Medium Enterprises (MSMEs) in Indonesia presents a very dynamic and diverse complexity, reflecting the fundamental challenges in financial management of the small business sector. Comprehensive research reveals that the existing financial accounting practices of the majority of MSMEs are still at a primitive stage, dominated by simple and unstructured manual recording methods. This phenomenon is not just a technical problem, but reflects systemic obstacles that include dimensions of knowledge, organizational culture, and resource limitations. In-depth analysis shows that around 80-85% of MSMEs do not have a bookkeeping system that meets minimum accounting standards. Transaction recording is done ad-hoc, discontinuously, and often mixed between personal and business finances. MSME actors generally only record cash receipts and expenditures in a simple manner, without paying attention to account classification, accounting periods, or basic accounting principles. This condition not only hinders financial transparency, but also limits management's ability to make strategic decisions based on data (Lantip, 2023).

The main factors causing the low quality of financial accounting practices of MSMEs are multidimensional. First, limited accounting knowledge is a fundamental obstacle. The majority of MSMEs have a non-accounting educational background, with limited understanding of the concept of professional

bookkeeping. Second, the perception that the formal accounting system is too complex and requires high implementation costs is a major barrier. Business actors tend to view accounting as an administrative burden that does not provide direct added value to business continuity. The internal structure of MSMEs also contributes significantly to weak financial accounting practices. The relatively small scale of the business, limited quality human resources, and minimal supporting infrastructure make it difficult to implement a comprehensive accounting system. Most MSMEs are run simply, with unclear division of tasks and no special dedication to financial management. This results in financial recording being handed over to the owner or personnel who do not have accounting competence.

The implications of weak financial accounting practices are complex. First, the credibility of financial statements is questionable, which directly affects the ability of MSMEs to access capital sources from financial institutions. Banks and investors require transparent, accurate, and accountable financial statements as a prerequisite for providing credit or investment. Second, the inability to produce quality financial statements limits management's ability to conduct strategic planning, analyze performance, and identify areas for business development. Empirical research shows that only about 15-20% of MSMEs have a bookkeeping system that can be categorized as structured and professional. This group of MSMEs generally has specific characteristics, such as being led by individuals with higher education backgrounds, located in urban areas, and having access to resources and support networks. They are able to implement more advanced accounting practices, use digital technology, and understand the importance of professional financial management. Variations in MSME financial accounting practices are heavily influenced by external factors, such as geographic location, business sector, and local business ecosystem. MSMEs in urban areas and industrial centers tend to have more advanced accounting practices than MSMEs in rural or semi-urban areas. Certain business sectors, such as trade and services, exhibit higher levels of accounting complexity than agriculture or small-scale production.

The challenge of transforming MSME financial accounting practices requires a comprehensive and sustainable approach. Systemic interventions involving multiple stakeholders are needed, ranging from government, educational institutions, business associations, to financial institutions. Empowerment strategies must include ongoing training, technology facilitation, intensive mentoring, and the creation of incentives that encourage the professionalization of financial management. Awareness of the importance of professional financial accounting is the first step in transformation. MSMEs need to be encouraged to understand that accounting systems are not just administrative compliance, but rather strategic instruments for sustainable business development. Investment in capacity building, adoption of digital technology, and development of a supporting ecosystem are key to the success of this effort. (Sentiyani, 2024) .

Identification of Structural Barriers in Financial Accounting Transformation

Financial accounting transformation in Micro, Small, and Medium Enterprises (MSMEs) faces complex structural challenges that require in-depth analysis and a comprehensive approach. Low digital literacy is one of the fundamental obstacles that systematically hampers the progress of accounting technology in this sector. The majority of MSMEs still have limited understanding

of digital technology, so they have difficulty adopting modern accounting systems that can improve the efficiency and accuracy of financial management. The limitations of technological infrastructure are the second critical factor that significantly complicates financial accounting transformation. Many MSMEs are located in areas with weak, limited, or unstable internet connectivity, which directly hinders the implementation of digital accounting solutions. This condition forces most business actors to continue to rely on manual recording methods that are time-consuming, error-prone, and inefficient. Inadequate technological infrastructure not only affects the ability of MSMEs to adopt new technologies, but also limits their growth potential and competitiveness in an increasingly digital business environment. (Nurul Fauziyyah, 2022) .

The cost of implementation is a very significant structural barrier in the transformation of MSME financial accounting. Comprehensive research shows that around 70% of MSMEs experience substantial difficulties in adopting digital accounting technology due to financial considerations. The initial costs of procuring hardware, software, and digital infrastructure are often considered too high by small business owners with limited profit margins. Limited capital is a major barrier that prevents them from investing in modern accounting technology, creating a vicious cycle where the lack of digital transformation further hampers business efficiency and growth. Internal organizational factors also contribute significantly to structural barriers in financial accounting transformation. Resistance to change is a psychological characteristic that greatly influences the readiness of MSMEs to adapt to new technologies. Many business owners who are accustomed to traditional methods feel comfortable and reluctant to step out of their comfort zone. Fear of system complexity, concerns about losing control, and distrust of new technologies are real psychological barriers to the transformation process.

Limited human resource knowledge and skills are another critical aspect that hinders financial accounting transformation. Most MSMEs do not have a formal educational background or training in information technology and digital accounting. This competency gap results in unpreparedness to understand, implement, and manage modern accounting systems. The lack of ongoing training programs and comprehensive technical assistance further exacerbates the situation, leaving many MSMEs trapped in a cycle of technological incompetence. The suboptimal supporting ecosystem is a significant external structural challenge. The lack of institutional support, both from the government and the private sector, hampers MSME digital transformation efforts. Unsustainable mentoring programs, lack of concrete incentives, and limited access to capacity building resources create an environment that is not conducive to accounting technology innovation.

Regulatory and government policy aspects also play a significant role in hampering transformation. The absence of a comprehensive and integrated policy framework to support MSME digitalization shows a lack of strategic attention to this sector. Inadequate regulations, cumbersome procedures, and a lack of fiscal incentives for digital technology adoption further complicate transformation efforts. Another challenge that is no less important is the issue of security and trust in digital systems. Concerns about the risk of data leaks, potential cyber attacks, and the insecurity of digital transactions are significant psychological factors that hinder the adoption of modern accounting technology. The lack of understanding of security protocols and best practices in digital risk management

further exacerbates the situation.

To overcome these structural barriers, a holistic and multidimensional approach is needed. A comprehensive strategy must include increasing digital literacy, developing technological infrastructure, providing financial support, ongoing training programs, and policy reforms that support the digital transformation of MSMEs. Collaboration between the government, educational institutions, the private sector, and MSME support organizations is key to the success of this effort. The transformation of MSME financial accounting faces a series of complex and interrelated structural barriers. Only through a systematic, comprehensive and sustainable approach can MSMEs overcome these challenges and harness the full potential of digital technology in improving the efficiency, competitiveness and sustainability of their businesses. (Rosmala, 2024) .

Adaptive Financial Accounting Strategy Model for MSMEs

The development of an adaptive financial accounting strategy model for MSMEs is an important breakthrough in efforts to strengthen the financial governance of this sector. The model designed not only considers the technical aspects of accounting, but also integrates various interrelated dimensions to create a sustainable system. The four main dimensions that form the foundation of this model - digital technology, human resource capacity, regulatory framework, and sustainable empowerment approach - are designed to strengthen each other and create optimal synergy in its implementation. The digital technology dimension in this model emphasizes the importance of adopting technology solutions that are in line with the characteristics and needs of MSMEs. The use of cloud-based accounting applications, digital recording systems, and user-friendly financial management platforms are key components in this dimension. This model proposes a tiered approach to technology adoption, starting from simple tools for micro businesses to more complex systems for medium businesses. This allows MSMEs to gradually develop their use of technology in line with the growth of their businesses.

Human resource capacity is the second crucial dimension in this model. Competency development is not only focused on technical accounting skills, but also includes conceptual understanding and financial analysis skills. The capacity building program is designed by considering the diverse educational backgrounds and experiences of MSME actors. Training modules are arranged in stages, starting from the introduction of basic concepts to more complex financial analysis. The regulatory framework as the third dimension plays an important role in creating a supportive environment for the implementation of this model. This model integrates various accounting provisions and standards applicable to MSMEs, such as SAK EMKM (Financial Accounting Standards for Micro, Small, and Medium Entities), while maintaining flexibility in its application. This approach allows MSMEs to meet regulatory requirements without being burdened by excessive complexity.

The sustainable empowerment dimension is an element that distinguishes this model from conventional approaches. The focus is not only on the transfer of knowledge and skills, but also on the formation of a mindset and culture of good financial management. Intensive mentoring programs are designed to ensure the sustainability of implementation, by involving various stakeholders such as business associations, financial institutions, and educational institutions. The implementation of this model adopts a systematic, step-by-step approach. The first

stage is the diagnostic of existing capacity, where a comprehensive mapping of the actual conditions of MSMEs is carried out, including aspects of the recording system used, HR competencies, technological infrastructure, and specific challenges and needs. The results of this diagnostic are the basis for designing targeted interventions.

The second stage focuses on developing a technology infrastructure that is in line with the diagnostic results. This process includes selecting and adjusting digital tools, developing an integrated accounting information system, and preparing supporting infrastructure. The modular approach to technology development allows MSMEs to upgrade their systems gradually as their business grows. Continuous training as the third stage is designed with a blended learning approach, combining face-to-face and online learning methods. Training materials cover technical aspects of accounting, use of technology, financial analysis, and soft skills such as data-based decision making. This training program is also equipped with a monitoring and evaluation system to measure its effectiveness.

The fourth stage is intensive mentoring to ensure effective transfer of knowledge and skills. The mentoring team not only acts as a mentor but also a facilitator who helps MSMEs overcome various challenges in implementation. Mentoring is carried out in a structured manner with a regular schedule and flexible consultation mechanisms. Initial trials of the model have shown significant positive impacts. MSMEs implementing the model have seen improvements in the quality of their financial reporting, as reflected in reduced recording errors and increased timeliness of reporting. Access to capital has also improved, with more MSMEs successfully obtaining financing from formal financial institutions thanks to improvements in the quality of their financial reporting. The performance of the MSMEs participating in the trial also showed a positive trend, as reflected in increased operational efficiency, better decision-making, and more planned business growth. The key factor for the success of implementing this model lies in a comprehensive and adaptive approach, as well as the commitment of various stakeholders in providing ongoing support to MSMEs. (Darmansyah, 2019).

Implications of Digital Technology in Financial Accounting Transformation

Digital transformation in financial accounting practices has brought about fundamental changes in the way MSMEs manage the financial aspects of their businesses. The era of digitalization opens up opportunities for MSMEs to adopt advanced technologies that were previously only accessible to large companies. The integration of cloud computing, artificial intelligence, and big data analytics technologies not only improves operational efficiency but also opens up new dimensions in financial analysis and decision making. Cloud computing is an important foundation in the digital transformation of MSME accounting. This technology allows business actors to access accounting systems from anywhere and at any time, eliminating dependence on expensive physical infrastructure. Cloud-based platforms also offer scalability that allows MSMEs to adjust system capacity according to business growth. Another advantage of cloud computing is its ability to provide automatic backup and a better level of data security compared to conventional systems.

Artificial Intelligence (AI) brings a new dimension to SME financial management. This technology is able to automate various routine tasks such as transaction classification, account reconciliation, and financial report generation.

AI can also identify patterns in financial data that are difficult to detect by manual analysis, allowing early detection of anomalies or potential financial problems. The implementation of AI in accounting systems has been proven to reduce the time required for the bookkeeping process by up to 70% and significantly increase the accuracy of recording. Big data analytics provides new capabilities for MSMEs in analyzing financial data in depth. This technology allows processing large volumes of data to produce valuable insights for decision making. Big data-based predictive analysis can help MSMEs in forecasting cash flow, optimizing working capital management, and identifying business growth opportunities. The results of the study showed that MSMEs that utilized big data analytics experienced an increase in accuracy in financial planning of up to 85%.

A digital accounting platform that integrates these three technologies brings various concrete benefits to MSMEs. The ability to produce real-time financial reports allows business actors to monitor financial conditions in real time and make more timely decisions. Predictive analysis features help in better financial planning and risk management. Automation of various accounting processes also frees up resources to focus on strategic aspects of business development. The 40% increase in productivity achieved by MSMEs using digital technology is reflected in various operational aspects. The time required for bookkeeping processes is significantly reduced, allowing finance staff to work on higher value-added tasks. The 60% reduction in the risk of recording errors not only improves the accuracy of financial reports but also reduces costs associated with error correction and audits.

Although the benefits of digital technology are significant, the challenges in its implementation are still quite large. Low digital literacy among MSMEs is a major obstacle to technology adoption. Many business actors still feel intimidated by new technologies and have difficulty operating complex digital systems. This situation is exacerbated by the limited training programs available to improve the digital competence of MSMEs. Limited technological infrastructure is also a serious obstacle. Many MSMEs, especially in rural areas, still face problems with unstable internet connectivity and inadequate hardware. Investment in technological infrastructure is often considered too expensive for MSMEs with limited capital. This creates a digital divide that can hinder the competitiveness of MSMEs in the digital economy era.

To overcome these challenges, a comprehensive approach involving various stakeholders is needed. Digital literacy programs need to be designed by considering the specific characteristics and needs of MSMEs. Collaboration between the government, the private sector, and educational institutions is needed to provide affordable technology infrastructure and effective capacity building programs. The government can play a role in creating an ecosystem that supports the digital transformation of MSMEs through conducive incentive and regulatory policies. The private sector, especially technology providers, needs to develop simpler and easier-to-use solutions by considering the level of digital literacy of MSMEs. Educational institutions can contribute to the development of relevant curricula and training programs. The future prospects for digital transformation of MSME accounting remain promising. Rapid technological developments will continue to open up new opportunities to improve the efficiency and effectiveness of financial management. MSMEs that successfully adopt digital technology will have a significant competitive advantage in the digital economy era. However, the success of this transformation will depend heavily on the ability to overcome the

challenges of digital literacy and existing technological infrastructure. (Rizka Khoirotun Nisaa et al., 2024) .

Sustainable Development Policy and Strategy Recommendations

Based on the results of in-depth research on the conditions and needs of MSMEs in Indonesia, a number of strategic recommendations have been formulated to encourage the development of a sustainable financial accounting system. These recommendations cover various aspects ranging from government policies to the development of a supporting ecosystem, which are designed to provide comprehensive solutions to the challenges faced by MSMEs in managing their finances. The first recommendation focuses on developing an integrated policy that provides concrete incentives for MSMEs. This policy needs to be designed by considering various dimensions, including fiscal, regulatory, and operational aspects. Fiscal incentives can be in the form of tax reductions or special subsidies for MSMEs that invest their resources in developing modern accounting systems. From the regulatory side, it is necessary to simplify procedures and financial reporting requirements that are adjusted to the capacity of MSMEs, without reducing the quality and accountability of the reports produced. Operational incentives can include priority access to government financing programs or ease in obtaining government procurement contracts for MSMEs that have good accounting systems.

A sustainable mentoring program is the second crucial recommendation for the success of MSME accounting transformation. This program needs to be designed by involving active collaboration between universities, business associations, and financial institutions. Universities can contribute through structured community service programs, where lecturers and students are involved in direct mentoring of MSMEs. Business associations can play a role in facilitating the exchange of experiences and best practices between members, as well as providing a network of experienced mentors. Financial institutions can provide practical perspectives on the financial reporting requirements and standards needed to access formal financing. Investing in the development of an easily accessible and user-friendly digital platform is the third recommendation that is no less important. This platform must be designed by considering the specific characteristics and needs of Indonesian MSMEs, including varying levels of digital literacy and infrastructure limitations in various regions. Platform development needs to adopt a modular approach that allows MSMEs to start with basic features and gradually increase the use of more complex features according to the growth of their business. Integration with banking and taxation systems is also important to make it easier for MSMEs to meet their various reporting obligations.

The fourth recommendation emphasizes the importance of strengthening the education curriculum to produce competent human resources. The curriculum needs to be updated to reflect the latest developments in accounting practices and information technology. Education programs must be able to produce graduates who not only understand accounting concepts theoretically but are also able to apply their knowledge in a digital context. Collaboration with industry in curriculum development can ensure the relevance of learning materials to the practical needs of MSMEs. The establishment of a supporting ecosystem as the fifth recommendation aims to facilitate the transfer of knowledge and best practices in a sustainable manner. This ecosystem needs to include various

stakeholders including the government, private sector, academics, and the MSME community itself. Regular forums for sharing knowledge and experiences need to be established at the regional and national levels. Online collaboration platforms can facilitate the exchange of information and continuous learning. The establishment of centers of excellence in MSME accounting in various regions can also be part of the development of this ecosystem.

Implementing these recommendations requires a holistic and coordinated approach. The central government needs to take a leadership role in initiating and coordinating initiatives, while local governments can adapt and implement programs according to local contexts. The private sector, especially technology companies and financial institutions, need to be encouraged to actively participate in developing solutions and providing support to MSMEs. Systematic monitoring and evaluation of the implementation of recommendations is also essential to ensure the effectiveness and sustainability of the program. Clear performance indicators need to be established to measure the progress and impact of various initiatives. Effective feedback systems need to be developed to identify areas that require adjustment or improvement.

Fundamental transformation in the financial accounting practices of MSMEs in Indonesia requires a long-term commitment from all stakeholders. The successful implementation of these recommendations will have a positive impact not only on the individual MSME level but also on the national economy as a whole. MSMEs that have a good accounting system will be better able to access formal financing, manage risks better, and make more informed strategic decisions. In the long term, the implementation of these recommendations is expected to encourage the formalization of the MSME sector, increase access to capital, and strengthen the competitiveness of Indonesian MSMEs at the regional and global levels. This transformation will also contribute to the creation of better quality jobs and more inclusive economic growth. However, this success will depend heavily on the consistency of implementation and the ability to adapt to changing conditions and dynamic MSME needs.

CONCLUSION AND SUGGESTION

Comprehensive research on "Financial Accounting Strategy for Sustainable Development of MSMEs in Indonesia" reveals the fundamental complexity in the transformation of the MSME financial system. The research findings definitively show that financial accounting is no longer just a recording instrument, but a strategic strategy for sustainable development. The dynamics of digital transformation, structural limitations, and the diversity of MSME characteristics require a holistic and adaptive approach in developing accounting systems. This study successfully identified that the success of MSME financial accounting transformation is highly dependent on the integration of four key dimensions: digital technology, human resource development, a supportive regulatory framework, and a sustainable empowerment strategy. In-depth analysis shows that the majority of MSMEs in Indonesia still face a number of fundamental challenges in implementing a modern financial accounting system. Low digital literacy, limited technological infrastructure, minimal access to capital, and resistance to change are the main obstacles. The accounting strategy model developed in this study offers a comprehensive approach that can accommodate the diversity of MSME characteristics, with a focus on flexibility, adaptability,

and sustainability.

Suggestion

1. The government needs to design a comprehensive incentive policy for MSMEs that develop modern financial accounting systems, including easy access to financing, tax reductions, and ongoing technical support.
2. Universities and educational institutions must transform their curriculum by integrating information technology competencies, digital accounting, and modern managerial skills into educational programs aimed at MSMEs.
3. Financial and banking institutions are expected to develop more adaptive credit risk assessment platforms, taking into account more comprehensive performance indicators and not just based on traditional financial reports.
4. Business associations and professional organizations need to establish MSME capacity development centers that provide consulting services, ongoing training, and assistance in implementing modern financial accounting systems.
5. The relevant ministries must develop an integrated digital platform that makes it easier for MSMEs to access information, registration services, financial reporting, and technical support in a comprehensive manner.
6. Research and development institutions need to conduct ongoing studies to produce innovative models in the development of MSME financial accounting, with an approach that is responsive to the dynamics of technological change and the business environment.
7. The MSME support ecosystem must be built through multi-stakeholder collaboration involving the government, universities, the private sector, and the community in creating an integrated and sustainable capacity development platform.

The transformation of MSME financial accounting is not just a matter of technology, but rather a comprehensive effort to build capacity, change paradigms, and create an ecosystem that supports sustainable development. This research provides a significant contribution to understanding the complexity and offering strategic solutions for the development of MSMEs in Indonesia.

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