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Building Resilient MSMEs through Accounting Digitalization and Financial Competency Enhancement to Support the People's Economy

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Abstract: The development of digital technology has brought significant changes in accounting practices, especially for Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. On the other hand, human resource (HR) competence is an important factor in utilizing this technology to improve the quality of financial reports. This article aims to examine the role of accounting digitalization and HR competence on the quality of MSME financial reports in Indonesia through a systematic literature review approach. The method used is a literature review with a Systematic Literature Review (SLR) approach, which examines various relevant previous studies. The results of the study indicate that the effective implementation of accounting digitalization, if supported by competent HR, contributes greatly to increasing the transparency, accuracy, and reliability of MSME financial reports. This study is expected to be the basis for forming hypotheses in further empirical research and provide policy recommendations that encourage strengthening the digital capacity and HR of MSMEs in Indonesia.

Keywords: Accounting Digitalization, HR Competence, Financial Report Quality, MSMEs

INTRODUCTION

MSMEs play an important role in the Indonesian economy, contributing more than 60% to the national GDP and absorbing around 97% of the workforce (Kemenkop UKM, 2022). However, the majority of MSMEs still face obstacles in preparing quality financial reports. This problem is largely caused by limited resources, both in terms of technology and HR competency. In the era of digitalization, adaptation to technology-based accounting systems is a necessity for the sustainability of MSMEs. Therefore, it is important to examine how digitalization and HR quality can support improving the quality of financial reports. This issue is relevant to be used as a topic in literature-based accounting research. Accounting digitalization allows the process of recording, reporting, and managing finances to be carried out faster, more accurately, and transparently (Susanti & Wijaya, 2021). By using accounting software, MSMEs can minimize recording errors and simplify the audit process. However, the adoption of digitalization does not necessarily guarantee an increase in the quality of financial

reports without competent HR. The quality of financial reports will increase if HR is able to operate the digital system properly and understand the applicable accounting principles. Therefore, digitalization and HR competency are two key factors that complement each other.

Several previous studies have stated that the integration of accounting technology has had a positive impact on the quality of MSME financial reporting (Nasution, 2022; Ramadhani et al., 2023). Meanwhile, HR competency, especially understanding of accounting and the use of technology, also contributes significantly to increasing the accuracy and completeness of reports (Mulyadi & Sari, 2020). The study shows a relationship between X1 (digitalization) and X2 (HR competency) on Y1 (quality of financial reports). This relationship is important to study further, considering the crucial role of financial reports in economic decision-making by MSME owners and external parties.

Problems in preparing financial reports in MSMEs are generally related to the absence of consistent recording, not in accordance with accounting standards, and limitations in the use of accounting software (Yuliana & Hakim, 2021). This encourages the importance of a systematic literature approach to understand the variables that affect the quality of financial reports. Literature-based research will provide a comprehensive picture of trends, previous study results, and existing gaps. In this way, readers can gain a comprehensive and theoretical understanding to support further research.

The development of information technology has spurred digital transformation in various managerial aspects, including the MSME accounting system. A study by Prasetyo and Hartono (2020) shows that the use of simple accounting software such as Accurate and Jurnal has helped MSMEs prepare better financial reports. However, individual factors, such as education and training of human resources, remain key elements in the successful implementation of this technology. The imbalance between technology adoption and human resource readiness can be a major obstacle in improving the quality of financial reporting.

Human resource competencies include technical skills, understanding of accounting principles, and skills in using accounting information systems. According to Harahap and Nugroho (2021), human resource competencies have a positive correlation with the quality of financial reporting, especially in terms of presenting relevant, reliable, and comparable information. Therefore, improving the quality of financial reports does not only depend on the tools or systems, but also the people who operate them. Training and education are important strategies in improving human resource competencies in the MSME sector.

This article uses a systematic literature review approach to analyze the relationship between accounting digitalization, human resource competencies, and the quality of MSME financial reports. By exploring relevant literature in the last five years, this study aims to develop a conceptual framework that can be used in further empirical research. Identification of supporting and inhibiting factors, as well as integration between technology and human resources, are the main focuses. Thus, this article contributes to enriching the academic discourse on MSME accounting in the digital era. Based on this background, the purpose of writing this article is to formulate two main hypotheses: 1) Accounting digitalization plays a role in improving the quality of MSME financial reports in Indonesia; and 2) HR competency has a significant role in the quality of MSME financial reports. This formulation is the basis for further research, both in the form of quantitative and qualitative studies. In addition, the results of this study are also expected to provide input for the government.

METHOD

This article is written using a library research approach with the Systematic Literature Review (SLR) method. The main sources come from national and international journals accessed through databases such as Google Scholar, Mendeley, and ResearchGate, with publication criteria for 2018–2024.

SLR is defined as a structured approach to identifying, evaluating, and synthesizing all research relevant to a particular topic in order to systematically answer research questions (Kitchenham et al., 2009). In this context, the author explores the relationship between accounting digitalization and HR competency on the quality of financial reports of MSMEs in Indonesia.

A qualitative analysis approach is used in reviewing the content of various literatures, considering the variables, indicators, and main findings of each study. The purpose of this method is to produce a strong theoretical synthesis as a basis for forming hypotheses in further research.

RESULTS AND DISCUSSION

Quality of Financial Reports

The quality of financial reports is the degree to which financial information is presented in a relevant, reliable, comparable, and understandable manner. In the context of MSMEs, quality financial reports are an important basis for decision making, both internally and externally (Susanti & Wijaya, 2021). This report is also the main requirement for accessing financing from formal financial institutions (Harahap & Nugroho, 2021). The dimensions of financial report quality include relevance, reliability, comparability, and timeliness (PSAK No. 1, IAI). A study by Yuliana and Hakim (2021) shows that only 30% of MSMEs in Indonesia prepare financial reports in accordance with applicable accounting principles. This is an important indicator of the need for improvement through a technological approach and increasing HR competency.

Accounting Digitalization

Accounting digitalization refers to the use of digital-based software and systems in the process of recording and reporting finances. This technology enables real-time financial transaction management, automation of recording, and integration with payment systems (Nasution, 2022). Software such as Accurate, Jurnal, and BeeCloud have been widely used by MSMEs in Indonesia. The application of digitalization not only increases efficiency but also reduces human error (manual error) in recording. According to Prasetyo and Hartono (2020), MSMEs that have used accounting digitalization have more organized and audit-ready financial reports. Therefore, accounting digitalization has great potential in driving improvements in the quality of financial reports.

HR Competence

HR competence refers to the knowledge, skills, and professional attitudes needed to prepare financial reports correctly. This factor includes an understanding of accounting principles, mastery of accounting software, and financial analysis skills (Mulyadi & Sari, 2020). In many cases, MSMEs have limited human resources who have not received formal training in accounting. A study by Sari and Putra (2021) shows that increasing financial literacy through training can significantly improve the ability to prepare financial reports. HR competency complements the implementation of digitalization, because without adequate HR, software will not be optimally utilized. Therefore, these two variables are interrelated in supporting the quality of reports.

Synthesis of Theory and Variable Indicators

Theories that support the relationship between variables include the Resource-Based View (Barney, 1991), which emphasizes the importance of an organization's internal capabilities—such as technology and HR competencies—in achieving competitive advantage. Indicators of accounting digitalization can include the use of software, frequency of digital

recording, and level of automation of financial processes (Ramadhani et al., 2023). Meanwhile, HR competency indicators include level of education, work experience, and financial training (Sari & Putra, 2021). For the quality of financial reports, the indicators follow PSAK and include reliability, relevance, comparability, and timeliness. With this synthesis, a conceptual framework for the relationship between variables can be compiled to form the basis for further research.

The Role of Accounting Digitalization on the Quality of Financial Reports

The implementation of accounting digitalization can reduce the risk of errors in recording and increase efficiency in preparing reports. The use of accounting software has been proven to provide more systematic and verifiable reporting results (Nasution, 2022). For example, Accurate software provides automatic features in calculating profit and loss reports and balance sheets. Research by Siregar and Handayani (2023) states that 75% of MSMEs that use accounting applications have more accurate financial reports that can be accessed online. This shows that digitalization plays an important role in the quality of MSME financial reports. However, the use of applications must be supported by adequate training so that the benefits are optimal.

Support for Technological Literacy for the Effectiveness of Digitalization

Technological literacy is a prerequisite for the successful implementation of a digital system. MSMEs with low technological understanding tend to have difficulty operating accounting software (Yuliana & Hakim, 2021). A study by Ali (2023) underlines the importance of regular technical guidance for MSME actors in utilizing financial applications. The absence of adequate technological support will make digitalization ineffective and instead increase the workload. Therefore, intervention from the government or the private sector is needed to support an inclusive digital transition. Integrated and easy-to-use accounting digitalization is a long-term solution for MSMEs.

The Role of HR Competence in the Quality of Financial Reports

HR competence has a positive correlation with the quality of financial reports. HR who understand accounting principles and are able to use software will produce more accurate and standardized reports (Mulyadi & Sari, 2020). A study by Harahap and Nugroho (2021) found that MSMEs who took accounting training showed a significant increase in the quality of their reports. Factors such as learning motivation, work experience, and willingness to adapt also influence HR competence. This competency improvement can be done through training programs from the government, academics, or financial institutions. Therefore, investment in HR is an important strategy in improving the quality of MSME reporting.

Interaction between Digitalization and HR in Improving Reporting Quality

The relationship between digitalization and HR competence is mutually reinforcing. Digitalization will not succeed without the support of competent HR, and conversely good HR needs to be supported by sophisticated work tools (Ramadhani et al., 2023). The interaction of the two contributes directly to improving the quality of reports. A study by Prasetyo and Hartono (2020) showed that the combination of accounting training and software use improves report quality by up to 60%. This emphasizes the importance of an integrated strategy between technology and HR development. This model is suitable for sustainable MSME development.

Challenges in Implementing Accounting Digitalization in MSMEs

Although accounting digitalization promises many benefits, its implementation in MSMEs is not without challenges. Some common obstacles include limited access to

technology, initial implementation costs, and low adoption of technology by MSMEs (Siregar & Handayani, 2023). In addition, not all MSMEs are aware of the importance of digitalization in financial management. A study by Yuliana and Hakim (2021) found that 45% of MSMEs felt that accounting software was too complicated to use without training. Therefore, application providers and the government need to ensure that the digital solutions developed are inclusive and easily accessible. Overcoming these obstacles is the first step to encouraging better quality financial reports.

The Importance of Training and Mentoring Strategies

Training and mentoring programs for MSMEs are an important step in strengthening the use of digitalization and improving HR competencies. A study by Mulyadi and Sari (2020) showed that MSMEs who received training recorded a significant increase in their ability to prepare financial reports. In addition to training, post-training mentoring is also an effective strategy to maintain consistency in the application of new knowledge. This can be done through collaboration between universities, local governments, and financial institutions. Ramadhani et al. (2023) recommend a digital finance-based MSME incubation program to improve sustainability. With the right training and mentoring strategies, MSMEs are better prepared to manage their financial reports professionally.

Contribution of Digitalization to Transparency and Accountability

Digitalization of the accounting system plays an important role in increasing the transparency and accountability of MSME financial reporting. With a digital system, business actors cannot easily manipulate data because all transactions are recorded automatically and tracked (Nasution, 2022). A study by Prasetyo and Hartono (2020) shows that digital-based financial reports are more trusted by investors and financial institutions. In addition, the resulting transparency also helps business actors in evaluating their business performance objectively. Therefore, accounting digitalization is not just a technology trend, but also a foundation for creating better business practices. This increase in transparency also supports the sustainable growth of MSMEs.

Implications of HR Competence in MSME Financial Management

HR competence has a broad impact not only on the preparation of financial reports, but also on overall financial management. Competent HR are able to carry out financial planning, cost control, and business profitability analysis (Sari & Putra, 2021). This ability is a determinant in maintaining business continuity and facing market challenges. In a study by Harahap and Nugroho (2021), it was found that MSMEs that have financial staff with at least a D3 accounting education have a greater chance of surviving during the pandemic. Therefore, it is important to improve the quality of education and training for MSME actors systematically. Long-term investment in HR competence is the key to the success of small businesses in the digital era.

Digitalization as a Tool to Strengthen MSME Financial Formalization

Many MSMEs in Indonesia have not yet made formal financial records. Accounting digitalization can be a means to encourage this formalization gradually. According to research by Siregar and Handayani (2023), MSME actors who use financial applications experience an increase in their ability to prepare reports that can be used in credit applications or tax reporting. This formalization also helps MSMEs in increasing credibility and access to formal markets. Therefore, the government needs to provide incentives or convenience in accessing cloud-based accounting software for MSMEs. In this way, digitalization also becomes an inclusive strategy in encouraging national financial inclusion.

Synergy of External Support: Government and Private Sector

The success of improving the quality of MSME financial reports does not only depend on internal factors, but also on external support. The government has an important role in providing training, regulations, and digital infrastructure. On the other hand, the private sector can contribute through CSR or strategic partnerships with MSMEs in the fields of technology and training. A study by Ali (2023) revealed that partnerships between digital platforms and MSME actors encourage increased use of financial recording applications. This cross-sector collaboration is a synergistic strategy in strengthening the digital financial ecosystem. Thus, the external role is very strategic in accelerating the improvement of the quality of MSME financial reports in Indonesia.

Research Implications for Policy Development

The findings in this study provide important input for policy makers, especially in designing effective interventions to improve MSME financial performance. The digitalization program must be followed by the preparation of a practical accounting training curriculum that is in accordance with the needs of MSMEs. Local governments can also adopt a clustering approach in fostering MSMEs based on their sectors and digital needs (Harahap & Nugroho, 2021). This policy can be strengthened through collaboration with higher education institutions to establish MSME accounting service centers. Strengthening this evidence-based policy will accelerate the achievement of national financial inclusion and digital economy targets. Therefore, this study is expected to be a reference for future policy design.

Conceptual framework of the research

Based on formulation problems, discussions and relevant research, then the conceptual framework of this article was obtained like Figure 1 below.

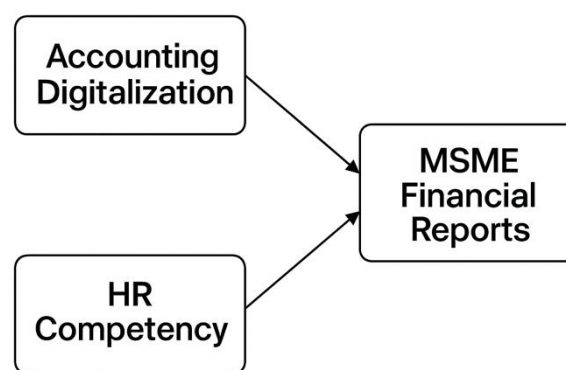


Figure 1. Framework Conceptual .

This literature review produces a conceptual framework that can be used in subsequent quantitative research. The proposed conceptual model places accounting digitalization and HR competency as independent variables that affect the quality of financial reports. Further studies can use the Structural Equation Modeling (SEM) approach to statistically test the strength of the relationship between these variables. Research can also add moderator variables such as business size or industry type to understand more complex dynamics. The findings of this study can contribute to the formulation of data-based business policies and strategies. With this approach, research on MSMEs in Indonesia can be more applicable and have a real impact.

CONCLUSION AND SUGGESTIONS

Conclusion

Based on the results of the literature review that has been conducted, it can be concluded that accounting digitalization and human resource (HR) competence have a significant role in improving the quality of financial reports in Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. Accounting digitalization allows the process of recording, reporting, and financial analysis to be carried out more efficiently, accurately, and in real time, which ultimately increases the transparency and accountability of financial reports. Meanwhile, HR competence, both in terms of technical aspects, accounting knowledge, and mastery of technology, is a key factor in optimizing the use of the digital system.

The literature also shows that MSMEs that have adopted a digital accounting system and have competent HR tend to have better quality financial reports than MSMEs that still use manual systems. Therefore, it is important for stakeholders, including the government and training institutions, to continue to encourage digital literacy and strengthening the capacity of MSME HR. For further research, it is recommended to conduct a quantitative study to test the causal relationship between accounting digitalization, HR competence, and the quality of financial reports using a structural model approach.

Suggestions

Based on the conclusions that have been presented, there are several suggestions that can be given for the development of science and practice in the field. First, MSME actors are expected to be more active in adopting digital accounting systems to improve the efficiency and accuracy of their financial reports. Second, improving the competence of MSME human resources, especially in the fields of technology and accounting, needs to be a priority through ongoing training facilitated by the government, educational institutions, and private training institutions. Third, for the government and policy makers, it is important to develop strategic programs that encourage digital transformation of accounting in the MSME sector, including providing incentives or subsidies for accounting software. Fourth, for academics and researchers, it is recommended to conduct further quantitative research using a structural modeling approach (SEM) to test the causal relationship between accounting digitalization, human resource competence, and the quality of financial reports. In addition, future studies can explore other factors such as organizational culture, managerial support, and technological infrastructure that may also affect the quality of MSME financial reports.

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