

An Empirical Study on the Barriers to Digital Financial Reporting Adoption Among Non-Adopting SMEs in Indonesia

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Abstract. Small and medium enterprises (SMEs) play a vital economic role globally, yet many struggle to adopt digital financial systems. This study explores SME barriers to adopting digital financial reporting standards in Indonesia through interviews with 12 SMEs. Innovation resistance theory framed the investigation of usage, tradition, value, risk, and image barriers. Most SMEs record manually using notebooks or Microsoft Excel. This is due to the concerns of SMEs, especially on the personal capabilities of SMEs, implementation costs. SMEs also worry about data security and information inaccuracies, complicating their business. Key findings indicate concerns regarding digital skills, security risks, switching costs, and provider image impede SME adoption, though most recognize potential benefits. SME prioritizes ease of use and practicality in recording and reporting. The findings of this study can be helpful for digital financial system service providers, especially the provision of a system that suits the needs of SMEs and ease of use. Service providers also provide structured tutorials if there are problems. Integration with third-party providers is needed to integrate the recording process. Meanwhile, for the government and associations, the results of this research can develop standards and rules that support the adoption of financial technology for SMEs.

Keywords: Digital financial reporting, financial accounting standard, innovation resistance theory, small and medium enterprise.

1. Introduction

Small and medium enterprises (SMEs) have a crucial role, which, according to the World Bank, accounts for 90% of business activities and 50% of opening new jobs (Putri, 2023). The Ministry of Cooperatives and MSMEs said that 97% of total employment and 56% of total business investment had been contributed by SMEs (OECD, 2018). However, a survey by MRB Finance revealed that 90% of SMEs in Indonesia lasted only a short time because they needed to understand good accounting records (MRBfinance, 2020). The impact of this problem makes business actors fail to understand their business as a whole (Musyaffi, Gurendrawati, et al., 2022; Santiago & Estiningrum, 2021). This fact is also supported by reports from the Financial Services Authority (OJK), which reveal that financial literacy in Indonesia will only reach 49.68% in 2022 (Otoritas Jasa Keuangan, 2022). So, the lack of financial literacy causes obstacles to business continuity. In Indonesia, there is a regulation to make special financial reports for SMEs to facilitate financial reporting made by the Indonesian Accountants Association (IAI) called the Standard of Financial Accountants – Micro, Small and Medium Enterprises (SAK-EMKM) (IAI, 2018). SAK EMKM is made simple, which SMEs can easily carry out (Prajanto & Septiana, 2018). The problem SMEs meet in maintaining their existence is that they could be more optimal in financial management and reporting (Belitski et al., 2022; Setiyawati & Hermawan, 2018). These obstacles arise because some MSME actors feel the complexity of the accounting process. Besides that, the benefits of a financial report need to be better understood by MSME. SMEs think that financial records require much time and are complicated, coupled with accounting standards for SMEs that need to be socialized to SMEs (Wahyuni et al., 2019).

Indonesia has encouraged SMEs to "go digital" since 2018 to become Southeast Asia's most significant digital economy actors (Najib & Fahma, 2020). As a result of this policy, a Digital Payment System (SPI) blueprint was born in 2025 to implement a cashless society by encouraging business actors, banks, the government, and the public to increase the frequency of digital payments. However, 22% of digital payment users complain of cyberattacks like spam and data abuse. Research from Visa shows an essential relationship between consumers and SMEs when using digital payments, where as many as 80% of consumers are motivated by digital payments (Visa, 2020). Meanwhile, 54% of SMEs have experienced an increase (15%) since using digital payments (Visa, 2020). However, as payment technology improves, risks arise when they cannot be managed appropriately (Mikkelsen et al., 2022). This can be seen during a pandemic where the risk of digital crime, including data fraud and misuse, is increasing (Mikkelsen et al., 2022). So, all stakeholders need to increase the digitization of SMEs for business continuity.

Davis (1989) revealed that a person can accept or reject technology in terms of function and ease of use. For SMEs to adopt financial reports, it is necessary to use the convenience of the report concept. Angeles (2022) reveals the impact of financial digitalization on the performance of SMEs in general. Innovation resistance theory explains the user's resistance to adopting technology. Previous researchers show that digital payment problems such as the complexity of payment procedures (Eriksson et al., 2021; Ram, 1987), privacy and security (Alexandrou & Chen, 2019; Johnson et al., 2020; Musyaffi, Mulyani, et al., 2021; Undale et al., 2020), lack of merchant acceptance of technology adoption (de Kerviler et al., 2016; Haddara et al., 2022; Mallat, 2007), and lack of perceived convenience and usefulness (Al-Saedi et al., 2020; Eneizan et al., 2019; Musyaffi, Johari, et al., 2021; Tamilmani et al., 2021). Previous literature shows an inability to operate a smartphone (Kaur et al., 2020; Mahatanankoon & Vila-Ruiz, 2007) and low digital literacy (Rahman, 2013). Previous research has also found increased technology resistance to psychological barriers (Friedman & Ormiston, 2022; Migliore et al., 2022) and user acceptance (Kaur et al., 2020). So, it is essential to evaluate user resistance.

Based on previous literature, accounting for cattle farmers is closely related to the continuous use of accounting software (Merdekawati & Pratiwi, 2023). Hasanah et al. (Hasanah et al., 2019) designed financial recording and reporting requirements for the micro-business level using simple cash records. Previous research has shown that providing information, education level, and business scale affect

understanding the preparation of financial reports (Mawardi et al., 2019). There is also qualitative research that proves that the MSME he studied had yet to implement EMKM-based financial reports (Suparti et al., 2020). This research suggests that these SMEs must apply SAK EMKM in their financial reporting. However, this research needs to provide suggestions regarding designing appropriate information systems used for the SMEs studied. This research supports the efforts of the financial services authority to increase financial literacy in Indonesia, which has only reached 49.68% (Otoritas Jasa Keuangan, 2022). Given the limited innovation resistance theory approach applied to SMEs to increase the adoption of digital reporting following SAK-EMKM. So, research contributes to completing the research gap explained by raising this topic as a form of life skills for SMEs in maintaining business continuity.

2. Literature Review

2.1. Innovation Resistance Theory

Innovation can make positive changes in daily activities. However, apart from the considerable benefits of innovation for individuals or businesses, resistance to innovation, especially regarding technological innovation, is still higher (Dwivedi et al., 2023). IRT is a theory describing user resistance to innovation and change (Y. Ince & Ince, 2023). In other words, the higher the innovation resistance that users have, the more excellent the resistance to adopting technology such as digital financial reporting. Previous studies also revealed that the IRT concept emerged when there were many failures due to technological innovations (P.-T. Chen & Kuo, 2017; Friedman & Ormiston, 2022). So, the impact determines the implementation of technological innovation (Dwivedi et al., 2023; Musyaffi, Gurendrawati, et al., 2022; Ram & Sheth, 1989).

High resistance causes a threat to the status quo owned by users (Talwar et al., 2021). So then, IRT helps someone identify resistance to usage behavior (Kaur et al., 2020; Ram & Sheth, 1989). In the IRT concept, a person's resistance consists of 2 types, namely active and passive behavior (Heidenreich & Handrich, 2015; Kaur et al., 2020; Ram & Sheth, 1989). Active resistance occurs when there is resistive behavior due to different innovation characteristics of a person, which can be referred to as a functional barrier (Kaur et al., 2020). Meanwhile, passive resistance arises when there is a conflict of beliefs held by users and can be shown through psychological barriers (Kaur et al., 2020). The psychological barrier consists of image and tradition barriers. This barrier occurs when what is felt and perceived by the user is outside the service technology and the user's image (Ram & Sheth, 1989). In contrast, a functional barrier occurs when a substantial change represents value, risk, and usage (Eriksson et al., 2021; Ram & Sheth, 1989). So when services from technology are outside the wishes and needs of users, it is very likely that these users will reject the presence of this technology. Technology service providers need to carry out an analysis of psychological and functional barriers.

2.2. Usage Barrier (UB)

UB is one of the critical factors in the functional barrier, especially regarding user resistance to innovation within the scope of habits and practices in the field (Ram & Sheth, 1989). As stated by Eriksson et al. (2021), UB is one of the functional barriers that makes users vulnerable to adopting an innovation, especially technology. UB shows the obstacles to using a product or technology regarding innovations (Anshu et al., 2022; Musyaffi, Gurendrawati, et al., 2022). In the context of this research, the usage barrier is a barrier to SMEs' use of the digital financial system due to limited knowledge and alternative uses. The previous literature review revealed that there are barriers to use in terms of digital literacy (Rahman, 2013) as well as in the context of operating a smartphone as a tool for carrying out innovations (Kaur et al., 2020; Mahatanankoon & Vila-Ruiz, 2007). Some researchers have found that usage barriers are a factor that plays a significant role in making someone use and continue to use these technologies (Kautish et al., 2023; Leong et al., 2021).

2.3. Tradition Barrier (TB)

In the IRT model, the traditional barrier represents the psychological barrier. TB is identified as user reluctance to change innovations that cause changes in daily habits (Ram & Sheth, 1989). Habits or traditions carried out by the community become inseparable in social life, so a negative view of a product, service, or technology used will lead to a negative assessment that can hinder the use or consumption of products and services (John & Klein, 2003). The higher the gap in practice in the field, the better the resistance to innovation (Kautish et al., 2023). In research by Arvidsson (2014), tradition was the most significant barrier to digital finance adoption. Several other research contexts reveal a significant barrier between tradition and innovation, such as payment systems (Gautam et al., 2021) and digital payment (Musyaffi, Gurendrawati, et al., 2022). So, it is imperative to harmonize the traditions that occur with the habits that exist in society (Khanra et al., 2021; Musyaffi, Gurendrawati, et al., 2022).

2.4. Value Barrier (VB)

The value barrier is one crucial aspect that makes users determine the use of innovations, especially in the technology sector. The IRT describes that VB is one of the most important to make someone use or even reject new technology (Musyaffi, Gurendrawati, et al., 2022). VB represents the reluctance of users to adopt innovations that can provide better value compared to other products and services (C.-C. Chen et al., 2022; Musyaffi, Gurendrawati, et al., 2022). In other words, the benefits obtained by users could be better. Previous research revealed the importance of value barriers in adopting technology (Laukkanen, 2016; Musyaffi, Gurendrawati, et al., 2022). The higher the value barrier, the lower the adoption rate because it causes disproportionate values and costs (Kaur et al., 2020; Morar, 2013). Therefore, service providers must provide more excellent added value so that SMEs are interested in learning the technology (Khanra et al., 2021).

2.5. Risk Barrier (RB)

Every technology has inherent risks that must be managed. The higher the risk, the greater the tendency to reject technology (Hanif & Lallie, 2021; Musyaffi, Johari, et al., 2023). One form of risk that users are concerned about is security and privacy (Johnson et al., 2020; Musyaffi, Johari, et al., 2023). The safer the technology, the greater the tendency for someone to continue using the technology. Previous studies show resistance regarding security and privacy in mobile technology (Guttentag & Smith, 2017; Kumar et al., 2017). In using a digital financial system, security can be categorized as data security in applications that can maintain the certainty of user data. So that credential data can be maintained.

2.6. Image Barrier (IB)

IB can occur when users compare innovative products or technology with the same generic product (Sang et al., 2022). So that when technology has a well-known brand in society, users have their pride. In the context of this study, BI can occur when digital financial service providers have a strong brand regardless of the benefits and quality of the financial technology. Kaur et al. (2020) reveal that the image barrier in IRT explains more than 59% of technology adoption, especially in mobile payments. Products with an image barrier can occur in good products (Wu et al., 2021) and have high-value benefits (Bodenheimer et al., 2022).

3. Method

This study uses a qualitative method. Interviews were conducted with SMEs in Indonesia who had yet to keep digital financial records following the standard. Researchers will meet each MSME to dig in depth for 20-30 minutes through semi-structured questions. The criteria for SMEs were selected based on a purposive method, namely, based on the characteristics of the respondents. The author maps out the respondents of this study based on the type of business and the use of financial reporting. The first condition is that these SMEs have never made financial records up to digital financial reporting based on SAK EMKM. Second, the author defines 12 main categories in culinary, education, fashion, automotive, agribusiness, creative products, internet technology, tour and travel, beauty, event

organizers, cleaning services, and children's needs. Each category is represented by 1 MSME, resulting in 12 respondents. The determination of these categories aims to summarize all the needs of SMEs in the sector.

Furthermore, data analysis was carried out using the analysis interactive model approach through field data collection, data selection, data presentation, and verification and conclusions (Miles et al., 2013). The interview results were processed with Microsoft Word and Excel to map the questions and answers from the respondents. The next step is to rewrite it into Excel format and code it by other researchers via Google Sheets to facilitate joint data analysis (Eriksson et al., 2021). Each theme idea or item of concern is discussed together so that common ground can emerge, as in Table 1. Then, the data is analyzed and grouped according to general themes and particular problems. After that, it is discussed and concluded based on research needs.

The topic of the question was adapted from previous research (Eriksson et al., 2021; Seth et al., 2020) according to Table 1 below:

Table 1. List of questions regarding MSME resistance to using digital finance

Topic	Item of topic	Item of question
Usage barrier	Merchant Adoption	The frequency of SMEs in recording transactions or economic events
	Knowledge	MSME knowledge regarding the functions and benefits of financial reports
	Fragmentation	The alternative recording method used is based on financial accounting standards, especially for small and medium micro-entities
Tradition barrier	Old habits	The convenience of financial recording is the old way. The author identifies these convenience factors to encourage SMEs to keep financial records.
	switching cost	The level of effort put in and the cost of learning bookkeeping
Value barrier	Relative advantage	Profits and losses when preparing financial reports
		Services from service providers (government, organizations, academics) when implementing financial reporting under SAK EMKM
	Incentives	Carry out the needs of SMEs regarding the advantages and benefits obtained when making financial reporting.
Risk barrier	Perceived security risk	Identification of risks that may occur in SMEs
		Identify beliefs at the time of recording.
		Identification of possible financial reporting inaccuracies
	Reliance on technology	Identify possible problems when using technology to support financial reporting.
Image barrier		Identify the risks of possible data loss
	Image of service providers	Identification of possible parties who can utilize MSME personal data
	Need of others' approval	Identify the needs of SMEs to ensure the recording process can be carried out correctly.

Based on structured interviews, the number of male and female respondents was the same, namely 6 participants for each gender. Meanwhile, based on the age range, the average age is 42, with details of the youngest business actor at 28 years old while the oldest is 57. Most participants have also been running their business for between 5 and 20 years. Based on the company's business operations duration, most participants have significant business experience and a good understanding of financial benefits. The profile of the respondents in this study is shown in Table 2 below.

Table 2. Participant Data

Name	Initial	Age	Gender	Type of business	Length in business
Participant 1	PAT	28	Male	Plantation	15 Years
Participant 2	PC	40	Female	Culinary	8 Years
Participant 3	PF	42	Female	Fashion	8 Years
Participant 4	PE	47	Female	Education	15 Years
Participant 5	PP	35	Male	Pharmacy	17 years
Participant 6	PPU	35	Male	Publishing	3 Years
Participant 7	PT	37	Female	Technology	Four years
Participant 8	PAO	40	Male	Automotive	12 years
Participant 9	PB	51	Female	Beauty	28 years
Participant 10	PR	53	Male	Retail	20 years
Participant 11	PCP	45	Female	Creative Product	5 Years
Participant 12	PPM	57	Male	Farm	18 years

4. Result

The results of the structured interviews are summarized in several vital points, which are divided into five barriers in IRT, namely as follows:

4.1. Usage Barrier

Usage barrier shows barriers to SMEs in using digital logging. Three factors affect the usage barrier: merchant adoption, knowledge, and fragmentation. Merchant adoption refers to the frequency of using digital financial statement recording. The interviews' results show that most SMEs have carried out digital records, although not digitally. At the same time, those who carried out digital recording were as many as MSME in PPM and PE respondents.

"Yes, I record my business income and expenses" (PAT, PC, PP, PPU, PT, PAO, and PB)

"I do digital financial records using Microsoft Excel manually" (PPM and PE)

"I do not keep financial records" (PF, PR, and PCP)

"While from the aspect of usage frequency, the majority do it every day" (PAT, PC, PP, PPU, and PTU),

"Recording transaction is done every day" (PAT, PC, PP, PPU, PPM, and PTU)

"Simple entry in the book is done occasionally." (PR, PF)

"Recording transactions every day. Financial reports on incoming and outgoing cash made by administrative staff are carried out daily. Financial reports made by the owner are prepared monthly". (PE)

Digital financial reporting knowledge shows the level of general knowledge SMEs possess to carry out digital financial records following accounting reporting standards. Almost all SMEs understand the benefits of financial reporting, such as knowing financial entry and exit, operational components, company profits, and predicting profits. However, only one considers recording an obstacle because it causes complexity.

"There are benefits that are felt by SMEs such as knowing operational cost information and being able to predict business progress in the future." (PE)

"The process of recording financial reports is useful for knowing the comparison between income and expenses" (PB, PPM, and PC)

"The benefit if there is a record that you can see the profit or loss of the business" (PF)

"Understand, because it makes it easier for goods to enter and exit and how much income is earned" (PAT)

"Financial reports allow me to control the flow of goods. I think using the application will be more controlled" (PAO)

"Doing record keeping confuses me" (PCP)

Fragmentation shows an alternative to other records that are used apart from those that are used daily. Most SMEs in this study only had other recording alternatives besides recording with books or using Microsoft Excel. Only one SME has payment alternatives such as QR code payment and using an EDC machine, although with separate records.

"I don't have other record-keeping alternatives" (PAO, PAT, PC, PP, PPU, PB, and PR)

"I only record using Microsoft Excel" (PPM, PE)

"no logging" (PCP)

"Not yet. There is still a manual for financial records. However, for payments, they already use EDC, QRIS" (PT)

4.2. Tradition Barrier

The dimension in the traditional barrier consists of old habits in viewing digital financial reporting and switching costs from alternative financial reporting. The context of old habits in research is related to the view that financial recording is done by writing in a notebook. From the non-users view, almost all SMEs are comfortable using notetaking because it is easy and not complex. The most traditional barrier is that some feel comfortable with recording on paper (PAT, PC, PP, PPU, PT, PB, and PR). However, some SMEs argue they allow specific applications or information systems because they feel it is easier (PF).

"More comfortable taking notes in a book, don't understand when using digital recording" (PPU)

"I am comfortable making notes in notebooks" (PAT, PC, PP, PT, PB, and PR)

"Convenient, recording is done manually and on a computer so that there is a record backup" (PPM)

"The owner has always used MS Excel because it's simple." (PE)

"I agree that the financial system uses technology. So far, still using Excel. Because no one taught me about financial applications" (PAO)

"I am comfortable with financial records in the book. But if there is an easier application, I will use that application" (PF)

Meanwhile, the switching cost dimension shows the view of SMEs due to additional costs or effort when using digital records. One SME needs to learn about switching costs because, from the start, the SME does not keep records and cannot imagine the benefits of digital or manual recording.

"Recording does not take a lot of time and money. The owner feels that there are comparable benefits from the listing." (PE)

"It doesn't take a lot of time and money. In proportion to the perceived benefits." (PPM, PAT, PC, PP, PPU, PT, PPM, PAO, and PB)

"Don't know" (PCP)

4.3. Value Barrier

The existence of a value barrier is due to the lack of benefits and incentives that exist when using new technology. The value barrier is divided into two, namely relative advantage and incentive. Relative advantage shows the advantages that SMEs want to experience when using new technologies such as digital financial systems. SMEs revealed that the value barrier that is a problem is that there is a risk problem when recording is not done consistently. However, most SMEs need to understand the benefits of financial records.

"Makes it easy to see cash flow and control the entry and exit of goods" (PAT, PF, PB, PR, PPM)

"The use of the application can make records neatly. I can also monitor through an application on my cellphone" (PAO)

"Helps and makes it easy to see profits per day and estimates for spending" (PC, PF)

"Can manage when to issue scheduled operational cash such as employee salaries and AC maintenance. Another benefit is being able to estimate or predict income because the realization of income sometimes misses because some consumers cannot be billed for payment on time or don't even pay" (PE)

"To record transactions per day (income and expenses), record profits every day. However, because it is still manual, there is a risk of being lost or not recorded" (PP, PPU, PT)

"Recording is done occasionally or not disciplined. By recording, you can find out that raw materials are getting more expensive. Rarely do records due to laziness" (PCP)

Incentives. Incentives can become a hindrance when the offerings of the advantages of technology become smaller than the benefits. Some respondents stated that external parties provided no benefits, while several other respondents stated that there were benefits for increasing branding.

"There is access to digital payments such as QR code payments or branding from company services to increase credibility. However, after that, I have to recap from the transaction. So it is impractical" (PAT, PC, PP, PT)

"The owner was offered MSME financing from BRI, but the owner felt a little difficult in fulfilling the administrative process" (PF)

"There is no incentive benefit from external parties. There have been offers, but because I still use simple reports and I don't understand the offers from these vendors" (PE)

"There has not been any benefit from external parties" (PB, PPU, PR, PPM)

"There is no profit and no interest. The important thing is practical" (PCP)

4.4. Risk Barrier

Perceived security risk can show security using technology such as digital financial systems. Most SMEs complain that there is a risk of incorrect records. At the same time, some of them are worried

that the application error and financial data will spread. Meanwhile, to avoid data accuracy, owners can mitigate risks by checking directly.

"no risk. In fact, there are many benefits" (PF, PR)

"risk of incorrect recording" (PAT, PC, PE, PP, PPU, PT, PAO, PPM)

"error application" (PT)

"My financial data can spread" (PP, PC)

"When there are lots of customers, sometimes employees forget to take notes, so they rely on memory alone" (PB)

"Inaccuracy has occurred, maybe because of the wrong date or wrong nominal, but so far, this can be mitigated by checking directly with the owner." (PE)

Reliance on technology occurs when there is dependence on carrying out activities. For example, users must use tools such as smartphones to keep financial records so that SMEs cannot operate records without technology.

"Writing with technology will make recording faster and easier. But it seems there is still a risk, yes. One of them requires large capital such as computers and application costs" (PF)

"Technological stutter, less proficient. So that if you do the recording using the application, you are afraid you won't be able to follow. Need a companion" (PC)

"Potential data abuse. I am afraid my data will spread" (PAO, PP)

"If one-day records using technology, the concern of the owner is that employees use the technology not to record but to play games" (PB)

"I'm afraid there is an error in the application" (PPM, PT)

"If you do routine records like technology, it's better to use a cellphone because it's easier and not as complicated as a computer/laptop" (PCP)

4.5. Image Barrier

IB shows there are obstacles to using branding factors from the company. IB consists of two factors: the image of service providers and the need for other approval. The image of service providers shows the user's image of the services provided by the company or service provider. Most SMEs consider that the service image of service providers is essential to maintain quality.

"Yes, I feel the brand of the service provider is essential" (PAT, PC, PP, PF, PE)

"If in the future do the listing, the owner will choose a well-known platform" (PF)

"No, the important thing is easy to use" (PAO, PB, PPM, PCP)

Meanwhile, the Need for Others approval factor is vital because most respondents said it is crucial to do approval, especially when it is related to company decisions.

"Yes, need approval with the owner" (PAT, PP, PT)

"No approval required" (PC, PPU, PR, PB)

"I think approval is needed" (PPM, PCP)

"There needs to be approval. for reports from admin, initialed by owner. For receipts for tutoring participants also signed by the owner" (PE)

5. Discussion

This study aims to dig deeper into SMEs' obstacles in using digital financial reporting. Interviews were conducted with 12 SMEs using the innovation resistance theory by examining each dimension in the IRT—Table 3. The following is a summary of the results of interviews with SMEs.

Table 3. Item of concern based on interview.

Barrier in IRT	Identified themes	Item of concern
Usage Barrier	SMEs adoption	- Most SMEs do financial records manually - There are only 3 SMEs that do not keep financial records
	Digital financial reporting Knowledge	- Almost all SMEs understand the benefits of recording transactions - There is one SME that thinks that the recording process is complicated and stressful for business actors
	Fragmentation	- Almost all SMEs do not have an alternative to recording other than in the book - two SMEs record through Microsoft Excel
Tradition barrier	Old habit in using financial records	- : Most SMEs feel comfortable keeping track of finances in notebooks. - One of the SMEs is comfortable using books. Because they are not used to doing digital financial record - s, some are comfortable but tend to use digital methods if an easy digital recording method is available.
	Switching Cost	- Financial records only require a little time and effort. In proportion to its value - Only one SMEs was not aware of the benefits of the listing process
Value barrier	Relative Advantage	- Using technology in recording can speed up and simplify. - Requires significant capital to record with technology. - Limitations in operating the application. - Concerns about data misuse - Use of mobile phones for more practical recording - Concerns about an error in the application
	Incentive	- increased credibility through digital payments - The impracticality of transaction recap if there is a third party. There needs to be integration with financial reports. - Administrative difficulties in MSME financing, especially in standardized financial reporting. - Lack of understanding of incentives or benefits from external parties
Risk Barrier	Perceived Security	- Risk of inaccuracies in the recording

		- risk of dissemination of financial data - The risk of errors in the application
	Reliance on a digital payment	- Concerns about the security of financial data - Requires a companion when using the application if there is a system problem or ignorance of the operation
Image barrier	Image of provider	- The brand becomes essential for service providers. - SME prioritizes well-known platforms. - Most SMEs put a simple platform as a priority.
	The need for other parties to approve	- Requires owner approval - There is no need for approval if the activity does not require crucial activities

Based on interviews with SMEs regarding their resistance to using the digital financial system, five main focuses become barriers to adopting digital finance, according to Table 3 above. First is the usage barrier. One of the dimensions of the usage barrier is merchandising adoption. Based on the results of interviews that have been conducted, most respondents do not keep financial records (PCP, PF, PR). This shows that there needs to be more trust in the benefits and needs felt by SMEs, especially for keeping records, as stated by Musyaffi et al. (2022) that the loss of benefits for users will cause significant obstacles in adopting technology. Besides, several SMEs have made financial records (PPM, PE) even though most are done manually. This shows there are limitations for SMEs, especially regarding knowledge and skills in using digital financial reporting. Most SMEs also manually carry out records with a high frequency (PAT, PC, PP, PPU, PTU) or use tools such as Microsoft Excel (PPM, PE). In addition, some SMEs also keep financial records only at certain times, such as daily to monthly (PE). So, this fact shows a need for more understanding and utilization of digital recording. Overall, the findings from interviews regarding merchandising adoption show that SMEs have not used a digital financial system because of several obstacles, such as the inability to use digital tools, limited skills in mastering and understanding standardized financial records, and different views regarding the needs and benefits of Digital financial reporting.

Most SMEs (PE, PB, PPM, PC, PF, PAT, PAO) understand that financial reporting can help their business. These SMEs also understand that financial reporting can help understand operational costs and business profits/losses and control the inflow of goods. However, even though they understand, SMEs still need to gain adequate understanding and skills to implement a digital financial system. So, training and a brief understanding are needed for SMEs. So that the digital financial system must have easy functionality so that the public can accept it. These results are also following the opinion of previous research where the ease of using and learning technology can foster consistency of use (Acikgoz & Vega, 2022; Ahmed & Damodharan, 2022; Shabrina & Sfenrianto, 2023; Thathsarani & Jianguo, 2022). In addition, PAO also revealed that the use of financial reports can be more controlled when using digital applications. This proves that there is a good understanding of digital financial applications, but barriers to users not using them occur because of the availability of tools, costs, and technical capabilities. So that these factors have caused the digital financial system not to be adopted. PT respondents revealed they had adopted digital payments such as QR codes and EDC. But not for financial records. This shows that there is fragmentation in the use of technology where certain parts are not integrated with financial reporting, confusing SMEs, especially regarding financial records.

In the traditional cost aspect, it aims to explore the habits of SMEs in carrying out financial records. Based on the results of interviews on old habit aspects, most SMEs (PPU, PAT, PC, PP, PT, PB, PR, PPM, PE, PAO, PF) expressed a sense of comfort in doing manual recording in books or with the help of Microsoft Excel. This fact shows that SMEs feel that the benefits of manual financial recording are comparable to the effort and sacrifice required. So that this convenience can be an obstacle for SMEs to switch to new methods, such as digital financial recording. In addition, other respondents (PE, PAO,

PF) also revealed that they would only consider using digital recording methods if the application was easy to learn and suited the needs of SMEs. Meanwhile, regarding the switching cost factor, most respondents agreed that digital recording only requires a little time or money if the perceived benefits are comparable. However, some respondents (PCP) did not know the costs or challenges that had to be experienced when switching to digital recording. This shows that PCP is not yet aware of the costs and benefits that might occur if they switch to digital recording. Based on the author's interview with SMEs regarding traditional costs, it was found that tradition or old habits and cost changes were essential in making SMEs adopt digital financial reporting methods.

In the value barrier aspect, most SMEs (PAT, PF, PB, PR, PPM, PAO, PC) know about the benefits of digital financial reporting, such as the ease of controlling cash flow and monitoring financial reports. This shows that most SMEs understand financial reporting, especially digital financial reporting. While some respondents (PE, PP, PPU, PT) also understand, they fear data loss or recording inconsistency. Meanwhile, several SMEs (PAT, PC, PP, PT) agree that incentives can affect company value, especially regarding digital payments and branding access. However, SMEs need more financial integration, making the recording process impractical. In addition, several respondents (PF) acknowledged that the benefits of financial reporting can be a source of financing that banks can finance. However, they must help fulfill administrative and financial reports that comply with standards. So this shows that the results of these interviews are in line with previous research where there is a meeting point between benefits and convenience can be a determinant for someone to adopt technology (Arvidsson, 2014; Hahm et al., 2022; Musyaffi, Johari, et al., 2022; Septiawan et al., 2023; Thathsarani & Jianguo, 2022). The findings above also show that most SMEs understand the benefits and convenience of digital recording. In addition, the existence of incentives from external parties can also be a more bargaining power, significantly increasing the company's credibility.

Concerns regarding data accuracy, such as date or recording errors, are ones that some SMEs (PB, PE) are afraid of. Even though these SMEs find solutions to overcome these problems by checking directly. Most respondents indicated that there are always risks in each recording method, for example, errors in the application, the potential for spreading financial data that has been carried out, and the accuracy of the data carried out can be disrupted due to input errors. Every technology has inherent risks that must be managed (Gurendrawati et al., 2023; Mukhibad et al., 2023). So, when the risks that may occur are negligible, the tendency to continue using the technology is also greater (Alexandrou & Chen, 2019; Asatiani & Penttinen, 2015; Kamalul Ariffin et al., 2018). However, several SMEs (PF, PR) revealed no risks and many benefits of recording digitally using a financial reporting system.

Regarding the reliability of technology, some SMEs (PC, PP, PAO) explained that there needed to be more understanding of technology. In addition, several respondents (PF, PC, PB) acknowledged many benefits of using digital financial applications. However, they were also aware that it required significant capital and application costs, which hindered the adoption of financial reporting technology. In addition, several SMEs (PPM, PT, PCP) also revealed that technology would be better accessed via mobile phones anywhere and anytime. This is also in line with previous research that technology must be flexible and easy to use so that the use of technology can benefit businesses (Abu-Taieh et al., 2022; Hanif & Lallie, 2021; Kumar et al., 2017; Musyaffi, Johari, et al., 2023; Musyaffi, Oli, et al., 2023). Overall, the research findings provide a snapshot of the risks associated with security and reliance on technology. SMEs have concerns about data inaccuracies and technical risks such as application errors, and there is limited understanding of SMEs on the technology used.

The image barrier aspect is crucial because it can hinder technology adoption, especially financial technology applications. Most SMEs (PAT, PC, PP, PF, PE) agree that the brand or image of a company or provider of digital financial system services is a vital component. Some SMEs (PF) even choose trusted service providers to use a digital financial reporting system. This shows that the service provider's image significantly influences technology selection. This is under the results of previous research where there is a significant impact between service providers and support on technology

adoption processes such as digital financial reporting systems (Eriksson et al., 2021; Musyaffi, Gurendrawati, et al., 2022; Sari et al., 2022). However, some respondents (PAO, PB, PPM, PCP) prioritize the benefits and convenience of technology compared to the image of a digital reporting system service provider.

Meanwhile, regarding approval for digital financial technology, several respondents (PAT, PP, PT, PPM, PCP) acknowledged that approval from owners or certain parties is crucial, especially on essential aspects. These concerns can reduce technological readiness and hinder adoption (Başgöze, 2015; M. et al., 2018; Musyaffi, Oli, et al., 2023). However, some other SMEs (PC, PPU, PR, PB) argue that approval is unnecessary and can be done directly without formal approval. So that the digital recording process can be done quickly and effectively, it can be concluded that formal approval can be an obstacle if it is still done traditionally. Previous research revealed that technology could speed up existing cycle processes without formal approval on specific aspects for efficiency and effectiveness (Adams et al., 2021; Başgöze, 2015; Musyaffi, Mulyani, et al., 2021). The findings of this study reveal that the approval process needs to be carried out mainly on digital financial recording to ensure that internal control of SME's business processes can be better. However, several SMEs also stated that they did not need approval to make it faster and simpler. So it is necessary to have features from technology providers to consider recommendations for an approval process that should be carried out so that user needs can be covered.

6. Conclusion

This study explores the views of SMEs that still need to carry out integrated digital recording with the innovation resistance theory approach. Five barriers were conducted by interviews with SMEs, namely usage, tradition, value, risk, and image barrier. The results of the interviews show that most SMEs have carried out traditional recording in notebooks and using Microsoft Excel. This study also found that most SMEs face usage barriers, especially in merchandising adoption. Some respondents are comfortable with manual recording. This also shows that the tradition barrier for SMEs is still relatively high. So that This fact shows that there is distrust of the benefits and conveniences provided by digital financial recording technology. Limited knowledge and skills in using technology is one of the challenges in implementing this technology. The value barrier for SMEs is relatively high in this aspect. In addition, SMEs also want financial recording integration with third-party applications to reach many related platforms. Regarding the risk barrier aspect, SMEs have big concerns, especially regarding data inaccuracies, technical risks, and dependence on technology. Meanwhile, regarding the image barrier, the image of the service provider and approval from other parties can influence technology adoption.

This research impacts interested parties such as SMEs, service providers, academic system makers, accounting associations, and the government. For SMEs, these findings can illustrate the factors hindering the adoption of digital financial reporting. So that through the findings of this study, SMEs can study the characteristics and implementation of an ideal digital financial system. Meanwhile, for providers of financial system services, this research can reference the obstacles of SMEs that can fail to use the system. Therefore, technology service providers must be able to create an easy financial system with features that suit the needs of SMEs. In addition, there is a need for financial standards that are continuously updated with applicable tax regulations and accounting standards. It is intended that stakeholders can make good use of financial data. In addition, service providers can also use a tiered approval system according to the wishes of SMEs to adjust to needs without reducing the system's effectiveness. Meanwhile, for accounting or taxation associations, this research can be a reference for making policies or standards that suit the needs of SMEs, especially those dealing with financial accounting standards - micro, small and medium entities. For the government, this momentum can help compile data security policies to suit a country's implementation of security data standards. While the limitations of this research only focus on SMEs engaged in 12 fields, namely plantation, culinary, fashion, education, pharmacy, publishing, technology, automotive, beauty, retail, creative product, and farm. So that this research can be developed further in several other sectors to get an overall picture. In

addition, this study also focuses on qualitative research to measure barriers to using digital financial reporting. So that further research can develop broader methods such as quantitative models to reach a more comprehensive range of SMEs, especially in the 12 fields of SMEs.

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