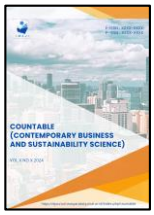

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# Enhancing Financial Reporting for Micro, Small and Medium Enterprises (MSMEs): System Design and Analysis

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**Abstract**

The advent of the Industrial Revolution 4.0 has profoundly transformed technological landscapes and global business practices. These technological advancements have concurrently influenced various aspects of life, including political, economic, social, and cultural domains. In this dynamic environment, companies, particularly Micro, Small, and Medium Enterprises (MSMEs), are increasingly compelled to leverage advanced technology to remain competitive. This study aims to analyze the factors influencing MSMEs' interest in utilizing accounting applications. Employing a quantitative descriptive research design with a deductive approach, this study uses hypotheses to guide the research methods for empirical testing. Given the nature of the data, this research falls under opinion studies. The findings reveal that educational level, company size, business tenure, and accounting knowledge are not significant determinants in selecting accounting applications. Instead, MSMEs opt for accounting applications primarily due to the specific needs of their business activities, ease of use, affordability of application licenses, and the quality of financial statements produced. Notably, application security does not significantly influence the choice of accounting applications. These insights suggest that practical considerations such as usability, cost-effectiveness, and output quality are paramount for MSMEs when adopting accounting technologies. The study underscores the importance of addressing these factors to enhance the adoption of accounting applications, thereby facilitating better financial management and competitive positioning for MSMEs in the evolving technological landscape.

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## INTRODUCTION

The development of technology has changed the way and map of world business. Along with the development of technology, there have also been developments in various aspects of life, for example in political, economic, social, and cultural aspects (Kurniawan &; Diptyana, 2011). Currently, technological developments in the world have entered the period of the industrial revolution 4.0

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(Tjandrawinata, 2017). There are at least three things that distinguish the industrial revolution 4.0 compared to the previous industrial revolution. These three things are the reasons why the transformation that is happening today is not an extension of the digital revolution, but rather a new transformation revolution. First, innovations can be developed and spread much faster than before. The speed at which new breakthroughs occurred in this era occurred on an exponential scale and no longer on a linear scale. Second, the marginal decrease in production costs and the emergence of platforms that can unify and concentrate several scientific fields have been shown to increase job output. This transformation resulted in changes with a scope so broad that it caused changes in the entire production, management, and governance systems. Third, this global revolution will have a profound effect and take shape in almost all countries of the world, where the scope of this transformation will occur in every area of industry, and will even have a comprehensive impact at the system level in many places (Tjandrawinata, 2017).

In line with the rapid development of technology, especially information technology, companies are increasingly encouraged to use advanced technology as a weapon to survive and win the competition (Kurniawan &; Diptyana, 2011). Further Kurniawan &; Diptyana (2011) explained that not only large companies utilize information technology but micro, small and medium enterprises (MSMEs) also use it. Micro, small and medium enterprises (MSMEs) have an important role in the economic and industrial growth of a country (Kurniawan &; Diptyana, 2011).

Micro, Small and Medium Enterprises or known as MSMEs are recognized as one of the real contributors to Indonesia's national economy, besides that MSMEs are also referred to as one of the pillars of economic growth in Indonesia. The contribution of the Micro, Small and Medium Enterprises (MSMEs) sector to gross domestic product (GDP) has been increasingly stretched in the last five years (Mutmainah, 2016). Data from the Ministry of Cooperatives and Small and Medium Enterprises (SMEs) in 2016-2017 recorded that the contribution of the MSME sector increased from 57.84 percent to 60.34 percent (Kemenkop-UKM RI, 2018). In addition, the MSME sector has also helped the absorption of labor in the country. Labor absorption in the MSME sector grew from 96.99 percent to 97.22 percent in the last five years (Mutmainah, 2016).

According to Rudiantoro & Siregar (2012), the great potential of MSMEs is often constrained by capital problems to develop businesses. As a solutive measure, the government runs an MSME financing program. One such program is the People's Business Credit (KUR). However, the KUR program did not meet the target and was poorly utilized. One of the causes is the lack of adequate information in the form of financial statements produced. by MSMEs, so banks as KUR distributors in channeling credit tend to be more cautious. Some (Rudiantoro &; Siregar, 2012).

The importance of applying accounting science in financial management of Micro, Small and Medium Enterprises (MSMEs) is considered still poorly understood by entrepreneurs. There are still many small entrepreneurs who have not recorded their business financial statements properly. There are even those who do not take notes (Susilawati, Yuliati, &; Khotmi, 2018). Then, the Government of Indonesia through PP No. 17 of 2013 stated that there is an obligation for small business actors to carry out accounting records (RI, 2013). One way to deal with technical problems in finance is through the adoption of information technology (Scout, 2012). This is what encourages micro, small and medium enterprises to start switching to using computers instead of using manual recording systems (Kurniawan &; Diptyana, 2011).

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However, this transition also does not always have a good effect on MSMEs. According to Rahmawati & Puspasari, there are also MSMEs that consider manual recording to be more effective, because considering the size of the business activities concerned is relatively small. Most MSME actors feel that the business they are engaged in is a small business that is run only to meet the needs of daily life (Rahmawati &; Puspasari, 2017). So that Many small companies do not have a good financial accounting system.

MSME players are too focused on how to make unique products, while accounting and financial systems are often considered as a second choice, not as a priority choice. Then, MSME actors also consider that providing accounting records will waste time and costs. They get annoyed with financial records and think that the most important thing is to get maximum profit (Princess, 2017). But for MSMEs that have a large enough number of transactions happening every day, it is not easy to process that much data manually (Aboelmaged, 2014; Ali, Rahman, & Ismail, 2012; Burgess & Paguio, 2016). Even the results of research by Aboelmaged (2014) and Ali, Rahman & Ismail (2012), prove that business characteristics, the ability to innovate, external influences, compatibility have a significant effect on MSME decisions in upgrading software (Aboelmaged, 2014; Ali et al., 2012).

Computer application programs (software) help meet the needs of MSMEs in managing data effectively and efficiently (Lestiawan &; Mahmud, 2014). There are many types of software offered, but not necessarily in accordance with the system applied by MSMEs. Some of the factors considered in choosing software are price, performance, stability, flexibility, implementation, customization and vendor support (Philip, 2001). Based on the problems previously described, this study wants to explore the factors developed by Philip (2001) influential in the selection of accounting software by micro, small and medium enterprises (MSMEs). Unlike the previous study, this study explores the use of accounting software by adding factors to the pattern of accounting activities carried out by MSMEs which are assessed by the large level of transaction activity in these MSMEs.

## LITERATURE REVIEW

### MSMEs

According to Law No.20 of 2008 about MSMEs, that a micro business is a business that has a net worth of at most Rp 50 million to Rp 500 million and that does not include land and business buildings, and the total annual sales are at most around Rp 300 million. A small business is a business that has a wealth of more than Rp 50 million to Rp 500 million and that does not include land and business buildings, and its total annual sales are at most around Rp 300 million to Rp 2.5 billion. A medium enterprise is a business that has a wealth of more than Rp 500 million to Rp 1 billion excluding land and business buildings, and total annual sales of at most Rp 2.5 billion to Rp 50 billion.

Central Bureau of Statistics (n.d.) provides a definition of MSMEs based on the quantity of labor. Small businesses are businesses that have a total workforce of 5 people to 19 people, while medium enterprises are businesses that have a workforce of 20 people to 99 people.

While Bank Indonesia (2015), Micro enterprises are businesses run by poor people, owned by families, locally resourced and using simple technology, and the business field is easy to get in and out. A small business is a business that has assets smaller than Rp 200 million excluding land and business buildings, an annual turnover smaller than Rp 1 billion and is owned by an Indonesian, and must be a legal entity

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must not be not. A medium enterprise is a business that has assets smaller than Rp 5 billion for the industrial sector, and assets smaller than Rp 600 million excluding land and business buildings for the non-industrial sector, annual turnover is smaller than Rp 3 billion.

Based on these definitions, micro, small and medium enterprises are a form of productive economic business entities, driven by individuals or business entities with certain capital and have limitations in business development, and are not subsidiaries or affiliates owned and or controlled by the company.

**Financial Statements**

Based on the Basic Framework of Financial Preparation and Reporting (KDPPLK) Paragraph 7, which is meant by financial statements is part of the financial reporting process. Complete financial statements usually include balance sheets, income statements, statements of changes in financial position (which can be presented in various ways such as, for example, as a statement of cash flows, or statement of funds flows), notes and other reports and explanatory materials that are an integral part of the financial statements. The function of financial statements is not only as a testing tool, but can also be used as a basis for determining or assessing the company's financial position. Based on the analysis in the financial statements, the existence of financial statements can help interested parties in making a decision (Son, 2018).

**Accounting Information**

According to Riahi-Belkaoui (2011) Defines accounting information as quantitative information about economic entities that is useful for making economic decisions and determining choices among alternative courses of action. Thus, accounting information can be used for the purposes of strategic planning, management supervision and operational supervision (Susilawati et al., 2018). By SAK EMKM (2018) Paragraphs 2.2 and 2.8, accounting information must meet the criteria of disclosing the economic benefits associated with the financial account post can be ascertained to flow into or out of the entity so that the account post has a cost that can be reliably measured.

**Accounting Information System (SIA) for MSMEs**

Accounting information systems can be defined as a collection (integration) of sub-sub-systems or components both physical and non-physical that are interconnected and cooperate with each other harmoniously to process transaction data related to financial problems into financial information (Susanto, 2013). AIS is a series of processes of identification, collection, and storage of data as well as the process of developing, measuring and communicating information in which two or more components are interrelated and interact to achieve objectives (Romney, Steinbart, & Cushing, 2015). In line with business developments and transaction frequency, which then increases the need for timely and accurate financial information, as well as maintaining the conformity of accounting practices with accounting standards and policies, accounting is more widely applied using computers. Computer utilization is considered the right choice (Aboelmaged, 2014).

**Accounting Information System User Capabilities**

High personal ability will spur users to use accounting information systems, so that the performance of accounting information systems becomes more effective. Information system users who have techniques either derived from education that has

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been taken or from experience using the system will increase satisfaction in using accounting information systems (Kurnia, Choudrie, Mahbubur, &; Alzougool, 2015; Purwati &; Suparlinah, 2017; Romney et al., 2015; Susanto, 2013). To assess the framework of an accounting information system can be seen from performance, information, economy, control, efficiency, and service (PIECES) (Susanto, 2013).

**Factors Influencing Software Selection**

The factors that influence a company in choosing a set of accounting software, namely: 1) Price. The price factor is a determining factor in the purchase of a set of software, for personal use using own funds this is an important thing to take into account, while for purchases using money from companies are sometimes not considered a key factor; 2) Performance, defined as how many tasks can be done in the time available. This should be supported by looking at menu speed and screen replacements, file updates and report generation; 3) Stability, i.e. the level of ability of the database, file recovery, to survive virus attacks; 4) Flexibility, namely the ability of the software to adapt to the time of cost, certain circumstances, including the ease of software in the process of retrieving or transferring data, adding and subtracting data, and also in writing reports or documents; 5) Implementation, namely the level of convenience in terms of time and cost when installing software, forming code, transferring data, and mastering programs; 6) Customization, namely the ability of software programs to be customized and developed, and 7) Vendor support (support from sellers), namely the facilities and willingness of vendors to assist software buyers in installation, maintenance to how to operate software (Maharseni, 2018; Purwati &; Suparlinah, 2017; Romney et al., 2015; Susanto, 2010). Vendor support is all activities related to vendors whether it is about facilities provided by suppliers or sellers including the installation of telephone networks, regular checks and guarantees for repairs caused by virus attacks (Romney et al., 2015; Susanto, 2010).

## RESEARCH METHODS

**Research Model**

This research is a quantitative research with a deductive approach, which uses hypotheses as guidelines or directions to determine research methods to be used in fact testing (Sugiyono, 2015). The statistical test used is descriptive statistical analysis. Descriptive statistics are statistics that serve to describe or describe the object under study through sample or population data as it is, without conducting analysis and making conclusions that apply to the public (Sugiyono, 2015). Based on the type of data studied, this study included opinion research. The data examined in this study is in the form of individual respondents' opinions. Techniques for collecting and analyzing opinions from the subjects studied through the distribution of questionnaires.

**Population and Sample**

According to Sugiyono (2015) Population is the entire area that is targeted for research, which is determined by the researcher, consisting of objects or subjects that have certain qualities and characteristics to be studied, researched and then drawn conclusions. The population in this study is all MSMEs registered in DKI Jakarta Provincial Office of Small and Medium Enterprises and Trade Cooperative (2017) as many as 31,116 assisted MSMEs. The number of research samples is 850 MSMEs. Sampling in this study uses random sampling based on area (Cluster Random Sampling), which is a sampling technique carried out based on certain groups / areas.


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The purpose of the Cluster Random Sampling method is among others to examine something in different parts of an area (Sekaran &; Bougie, 2016).

**Data Types and Sources**

The type of data used in this study is quantitative data. According to Sugiyono (2015), quantitative data is the value or score of the answers given by respondents to the statements contained in the questionnaire and measured using the Likert scale.

The data sources used in this study are: (a) Primary Data, is data obtained from the first source both from individuals from individuals such as the results of questionnaires that have been answered by respondents and then collected again by researchers (Sekaran, 2014), (b) Secondary data are data that have been collected by other parties and published by the data user community (Sugiyono, 2015).

**Variable Operational Definition**

The variable tied to this study is the use of accounting software, which is defined as an individual activity that is directly visible in obtaining and using accounting software. This variable is measured by questions that will be answered with yes or no, which indicate the use or absence of accounting software in MSMEs.

Research variables consist of five types of variables that are considered influential on the decision to use accounting applications, namely:

1). Education level, which is based on formal education that has been followed so that the measurement is continuous. Formal education in question is education obtained in formal schools, including Elementary School (SD), Junior High School (SMP), General High School (SMU) or equivalent, Diploma (DIII), Bachelor (SI) and Postgraduate (S2 &; S3). (Rudiantoro &; Siregar, 2012).

2.) Company Size. The determination of the business size index is to point the answers in the questionnaire to questions regarding the number of employees, company assets, and company sales per year. (Rudiantoro &; Siregar, 2012).

3) Length of Business is shown based on the age of the company based on the year since the establishment of the company until this research is conducted (Rudiantoro &; Siregar, 2012).

4.) Accounting knowledge is seen based on the formal educational background learned by MSME owners. (Rudiantoro &; Siregar, 2012).

5) Technology utilization, seen from system quality, information quality, user satisfaction and total benefits of the accounting application (Safitri &; Setiyani, 2016).

**Selection of Statistical Tests**

The statistical test used is Descriptive Statistical Analysis (Sugiyono, 2015). Descriptive statistics are statistics that serve to describe or describe the object under study through sample or population data as it is, without conducting analysis and making conclusions that apply to the public (Ghozali, 2016; Sugiyono, 2015).

## RESULTS AND DISCUSSION

**Description of Respondent Data**

This research focused on Micro, Small and Medium Enterprises (MSMEs) owners in the Jakarta area who are registered in DKI Jakarta Provincial Office of Small and Medium Enterprises and Trade Cooperative (2017) as many as 31,116 assisted MSMEs. The number of research samples is 850 MSMEs. Sampling in this study uses random sampling based on area (Cluster Random Sampling), which is a

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sampling technique carried out based on certain groups / areas (Sekaran &; Bougie, 2016).

The profile of respondents in this study includes: a) gender, male respondents 33.3% and female respondents as much as 66.7%; b) age, respondents in the dominance aged between 31-40 years, which amounted to 47.77%;

**Description of Research Variables**

**1. Overview of Education Level**

Internal control variables consist of 1 question item which is divided into 4 dimensions, namely the dimension of education level to SMA / SMK, Bachelor, Strata 2, or others. The following will be presented and explained the tendency of answers from respondents to the variables of the last education level of MSME owners.

Table 1. Respondents' education level

| Respondent's Age | Frequency | Percentage (%) |
|---|---|---|
| Elementary/MI/Equivalent | 135 | 15,85 |
| SMP/MTs/Equivalent | 156 | 18,35 |
| SMA/MA/Equivalent | 194 | 22,82 |
| Diploma | 181 | 21,29 |
| Bachelor | 18 | 2,12 |
| Postgraduate | 17 | 2,00 |
| Other | 149 | 17,53 |
| Total | 850 | 100 |

*Source: Data processed*

Based on Table 1, it can be seen that respondents who have a high school education level are the most respondents in the study, which is 22.82%, while those with the lowest education level of S2 are 2.00%.

**2. Overview of Company Size**

The company size variable consists of 4 questions divided into 4 dimensions based on the characteristics of small and medium enterprises as stated in the Law Republic of Indonesia No. 20 of 2008 concerning MSMEs, between the asset dimension consists of 1 question, the employee dimension consists of 1 question, and the sales turnover value dimension consists of 1 question. The following will be presented and explained the tendency of answers from respondents to company size variables with frequency and percentage distribution approaches.

**a. Assets**

The following is presented in Table 2 regarding the recapitulation of respondents' responses submitted to measure company size variables through asset dimensions. The dimension of this asset consists of 1 question item, namely:

Table 2. Respondents' Asset Value

| Respondent's Age | Frequency | Percentage (%) |
|---|---|---|
| < IDR 50 million | 168 | 19,77 |
| IDR 50 million – IDR 500 million | 424 | 49,86 |
| IDR 500 million – IDR 10 billion | 258 | 30,37 |
| > IDR 10 billion | 0 | 0 |
| Total | 850 | 100 |

*Source: Data processed*

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Based on Table 2, it can be seen that respondents who have assets of Rp.50 million – Rp500 million are the most respondents in the study, which is 49.86%, while those with assets < Rp50 million are the lowest respondents in this study, which is 19.77%.

**b. Number of Employees**

The following is presented in Table 3 regarding the recapitulation of respondents' responses proposed to measure the variable size of the company through the dimension of the number of employees employed. The dimension of this asset consists of 1 question item, namely:

Table 3. Number of Respondent Employees

| Number of Respondent Employees | Frequency | Percentage (%) |
|---|---|---|
| < 4 people | 318 | 37,41 |
| 5 – 19 people | 509 | 59,88 |
| 20 – 99 people | 23 | 2,71 |
| > 100 people | 0 | 0 |
| Total | 850 | 100 |

*Source: Data processed*

Based on Table 3, it can be seen that respondents who have 5-9 employees are the largest respondents in the study, which is 59.88%, while those with 20-99 employees are the lowest respondents in this study, which is 2.71%.

**c. Sales Turnover Value**

The following is presented in Table 4 regarding the recapitulation of respondents' responses submitted to measure the variable size of the company through the dimension of the number of sales turnover values. The dimension of this asset consists of 1 question item, namely:

Table 4. Value of Respondents' Sales Turnover

| Respondent's Sales Turnover Value | Frequency | Percentage (%) |
|---|---|---|
| < IDR 300 million | 392 | 46,12 |
| IDR 300 million – IDR 2.5 billion | 446 | 52,47 |
| IDR 2.5 billion - IDR 50 billion | 12 | 1,41 |
| > IDR 50 billion | 0 | 0 |
| Total | 850 | 100 |

*Source: Data processed*

Based on Table 4, it can be seen that respondents who have a sales turnover value of Rp 300 million – Rp 50 billion are the most respondents in the study, which is 52.47%, while those with sales turnover value are the lowest respondents in this study, which is 1.41%.

**3. Overview of Business Duration**

The variable length of business consists of 1 question item which is divided into 1 dimension, namely the dimension of the length of business running consists of 1 question. Table 5 is about the recapitulation of respondents' responses proposed to measure the variable size of the company through the dimension of the length of the business.

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Based on Table 5, it can be seen that respondents who have a business length of 6-10 years are the most respondents in the study, which is 29.17%, while those who have a business length of > 15 years are the lowest respondents in this study, which is 5.76%.

Table 5. Respondents' length of business

| Respondent's Length of Business | Frequency | Percentage (%) |
|---|---|---|
| < 5 years | 248 | 29.17 |
| 6 – 10 years | 370 | 43.53 |
| 10 – 15 years | 183 | 21.54 |
| > 15 years | 49 | 5.76 |
| Total | 850 | 100 |

*Source: Data processed*

**4. Overview of Accounting Knowledge**

The variable of accounting knowledge based on the background of the field of education consists of 1 item of questions divided into 1 dimension, namely the dimension of the background in the field of education, including the fields of accounting, management, economics, and others.

Table 6. Accounting Knowledge Based on Respondents' Educational Background

| Accounting Knowledge Based on Respondents' Educational Background | Frequency | Percentage (%) |
|---|---|---|
| Accounting Field | 142 | 16.71 |
| Management Field | 264 | 31.06 |
| Other Economic Fields | 348 | 40.94 |
| Apart from the Economic Sector | 96 | 11.29 |
| Total | 850 | 100 |

*Source: Data processed*

Based on Table 6, it can be seen that respondents who have accounting knowledge based on educational backgrounds are only 16.71%, the majority of respondents have educational backgrounds in other economic fields, which is 40.94%, while other than economics is a minority of respondents, which is 11.29%.

**5. Overview of Information Technology Utilization**

The variable of information utilization consists of 4 questions divided into 8 dimensions, namely based on experience using the Accounting Computer application, the accounting application used, and the explanation of respondents choosing the accounting application.

Table 7. Use of Information Technology by Respondents

| Utilization of Information Technology | Frequency | Percentage (%) |
|---|---|---|
| Already using an accounting application | 324 | 38.12 |
| Not yet using an accounting application | 526 | 61.88 |
| Total | 850 | 100 |

*Source: Data processed*

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**6. Accounting Applications Used**

Based on Table 7, it can be seen that respondents have used accounting applications 38.12% while 61.88% have not used accounting applications in the process of preparing financial statements of their business results.

Table 8. Accounting Applications used by Respondents

| Utilization of Information Technology | Frequency | Percentage (%) |
|---|---|---|
| Zahir Accounting | 88 | 27.16 |
| Accurate Accounting | 62 | 19.14 |
| MYOB | 44 | 13.58 |
| Microsoft Excel | 117 | 36.11 |
| Other | 13 | 4.01 |
| Total | 324 | 100 |

*Source: Data processed*

Of the 324 respondents who have used accounting applications, Microsoft Excel applications are the most widely used at 36.11%, then Zahir Accounting at 27.16%, Accurate Accounting at 19.14%, MYOB at 13.58% and other accounting applications at 4.01%.

Then the dimension of accounting application selection criteria is measured using an ordinal scale, respondents are given questions by answering Yes and No

Table 9 Criteria for Selection of Accounting Applications

| Accounting Application Selection Criteria | Yes | % | No | % | Total |
|---|---|---|---|---|---|
| Business Needs | 204 | 62.96 | 120 | 37.04 | 324 |
| Easy to use | 298 | 91.98 | 26 | 8.02 | 324 |
| Cheap price | 177 | 54.63% | 147 | 45.37% | 324 |
| Quality of Report Results | 188 | 58.02 | 136 | 41.98 | 324 |
| Application Security | 137 | 42.28 | 187 | 57.72 | 324 |

*Source: Data processed*

Based on table 9, it is known that 62.96% of respondents use accounting applications because of the needs of their business activities, 91.98% of respondents stated that ease of use of accounting applications is a determinant of the selection of accounting applications, 73.15% of respondents stated that more affordable accounting application license prices affect the selection of accounting applications, and 58.02% of respondents stated that the quality of the results of financial statements produced by accounting applications determines the selection of applications accounting used. While application security has not been a determining factor in the selection of accounting applications. This is shown by 57.72% of respondents who tend not to prioritize application security aspects in choosing accounting applications

## CONCLUSION

The findings of this study provide valuable insights into the factors influencing the adoption of accounting applications by Micro, Small, and Medium Enterprises (MSMEs). Contrary to common assumptions, the level of education, company size, business duration, and accounting knowledge do not significantly affect the decision to implement accounting applications. This indicates that traditional metrics of

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business sophistication and managerial competence are less relevant in this context. MSME actors prioritize practical considerations directly tied to their operational needs. The primary motivations for adopting accounting applications are the specific requirements of their business activities, the ease of use of these applications, the affordability of application licenses, and the quality of financial statements produced. These factors highlight a pragmatic approach among MSMEs, emphasizing functional benefits and cost-efficiency over other considerations. The preference for user-friendly applications suggests that MSMEs value intuitive and accessible technology that can be seamlessly integrated into their daily operations without necessitating extensive training or technical support. This aligns with the operational constraints typically faced by smaller enterprises, which often lack dedicated IT support teams and resources. The affordability of accounting application licenses is another critical factor. MSMEs operate on tight budgets, and cost-effective solutions are essential to their financial management strategies. The lower cost of licenses makes advanced accounting tools accessible to a broader range of businesses, enabling them to benefit from sophisticated financial management without substantial financial outlays. Quality of financial statement outputs produced by accounting applications is also a significant determinant. High-quality financial statements are crucial for accurate financial analysis, regulatory compliance, and strategic planning. MSMEs that recognize the value of precise and reliable financial data are more likely to invest in robust accounting applications that enhance their financial reporting capabilities. Interestingly, application security does not emerge as a significant factor in the selection process. This could suggest a gap in awareness regarding the importance of data security or a perception that available applications meet acceptable security standards. It might also reflect a trade-off where ease of use and affordability are prioritized over security features. In conclusion, MSMEs' decision to adopt accounting applications is driven by practical, operational, and financial considerations rather than traditional business metrics or security concerns. This emphasizes the need for software developers to focus on creating user-friendly, cost-effective, and high-quality applications tailored to the specific needs of MSMEs. Future research could explore the underlying reasons for the low prioritization of security and investigate ways to enhance awareness and integration of security features without compromising on affordability and ease of use.

**Suggestion**

For academics, the results of this research can be used as an additional reference to enrich knowledge about the factors that affect the use of accounting applications. Limitations in this study include the selection of respondents who are still uneven and knowledge about accounting that is considered not to meet the standards. For future research, it can pay more attention to the selection of respondents and consider accounting knowledge, population distribution used and other statistical methods such as significance tests, regression tests or correlations.

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