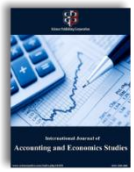
International Journal of Accounting and Economics Studies, 12 (1) (2025) 29-40

International Journal of Accounting and Economics Studies

Website: www.sciencepubco.com/index.php/IJAES
https://doi.org/10.14419/7r6dc363
Research paper



Factors affecting digital accounting in MSMEs using second-order confirmatory factors analysis method

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Received: March 16, 2025, Accepted: April 11, 2025, Published: April 17, 2025

Abstract

The application of digital accounting can increase accessibility to business information, and this allows stakeholders to make better decisions, thereby creating a sustainable business. There are still many MSME actors who do not realize that well-organized financial records and bookkeeping are important. When micro business actors develop and must be managed professionally, business actors are ready with the modern management concept. This study aims to analyze the influencing factors of the implementation of accounting digitization for MSMEs in Kerinci Regency. Using a quantitative approach with secondary data, this study involved a sample of 100 MSMEs in Kerinci Regency. Sampling was carried out by the purposive sampling method, and data analysis was conducted using the AMOS program. The findings of the study show that technology, internal organizations, regulations, and economic situations have a positive influence on the application of digital accounting to MSMEs in Kerinci Regency. These findings emphasize the importance of these factors in driving the growth and sustainability of MSMEs in Kerinci City and provide valuable insights for future policies and practices. This research also provides important insights for policymakers and MSMEs actors in designing strategies to optimize.

Keywords: *Digital Accounting; Confirmatory Factor Analysis; MSMEs; Technology; Regulation.*

1. Introduction

Technology today has developed rapidly. Advances in the field of technology do not only occur in prosperous countries but can also occur in developing countries such as Indonesia. Currently, Indonesia has entered the era of digitalization, where many fields that initially used traditional methods have become digitalization. Information digitization is the change of various types of information from manual to digital formats so that they are easy to create, store, manage, and send to information users for various reasons and as a basis for decision-making (Azzaakiyyah, Wanof, Fitri, Almaududi Ausat, & Shafiq, 2024; Kharbat & Muqattash, 2020) . The application of digitalization also occurs in accounting (Kruskopf et al., 2020; Nurhayati et al., 2023). Accounting utilizes technology, one of which is digital bookkeeping. Digital bookkeeping is considered more effective and efficient than manual bookkeeping (Tran, 2023). Bookkeeping can be done by anyone, including MSME actors (Dao Thi, 2023).

MSMEs have an important role, especially in providing new jobs to reduce poverty levels in Indonesia. Another role is as a support network that makes it easier for low-income people to engage in positive economic activities (Hendri, Fahruna, Listiana, & Rosnani, 2024). MSMEs are a group of businesses that have high economic value and are productive (Johri et al., 2024; Mutmainah & Eha Hasni Wahidhani, 2024). However, financial management is one of the main issues that hinders the development of MSMEs. Poor financial management is often the main obstacle to improving performance and access to financing for MSMEs (Al-Hattami & Almaqtari, 2023; Leitner-Hanetseder, Lehner, Eisl, & Forstenlechner, 2021). Therefore, increasing the financial management capacity of MSMEs is very important for the sustainability and growth of this sector. So, MSMEs must be able to move quickly to keep up with changes and adapt to technological advances.

Especially in the field of finance, management science expertise and knowledge are very lacking today, especially for small businesses. Although not a few entrepreneurs have completed formal education, usually, business owners experience problems because they do not have experience in administration and accounting. This can be seen from minimal financial planning and small-scale bookkeeping. Limited knowledge of accounting science in bookkeeping can use digital accounting as the bookkeeping (Nurhayati et al., 2023). However, most MSMEs are reluctant to do bookkeeping digitally. Bookkeeping for MSMEs is still done manually or even without recording (Prayogi, Muda, & Kholis, 2024).

To have business competitiveness and sustainability, business actors must respond to rapid changes in technological innovation, focus on long-term interests, produce environmentally friendly products, and strive for the conservation of natural resources, as well as the efficiency of the use of technology. Accountants in the future are required to have skills in processing very large data and processing information that is useful for decision-making. This new program offers a program that combines the professional and digital skills that accountants should

possess in the future (Asmah, 2024; Leitner-Hanetseder et al., 2021). The term "digital accounting" refers to the organization of formulas, records, and reports to produce financial information necessary for decision-making and that can help management companies and business executives (Al-Hattami & Almaqtari, 2023; Dao Thi, 2023). Digital Accounting is an important part of the accounting field that has changed the way businesses operate and manage finances from manual to digital systems (Azzari, Mainardes, & Costa, 2020). Traditional ways, such as managing finances using spreadsheets and manual input have changed with the development of today's technology (Inoue, 2024; Rojas & Vásquez, 2024). Digitalization of accounting refers to the use of digital technology and software to manage, record, and present financial reports and play an important role in supporting business sustainability through efficient resource management using digital systems can reduce the use of paper and physical documents, this is in line with environmental sustainability because it helps reduce waste and save natural resources (Kruskopf et al., 2020). In addition, increased transparency and accountability in financial data management (Tran, 2023). By providing data that is more accurate, transparent, and usable for strategic decision-making, digital accounting helps companies create long-term value while maintaining a balance between economic, social, and environmental goals (Shubailat, Al-Zaqeba, Madi, & Khairi, 2024).

Digitalization is very important for MSMEs in facing business competition in the digital era to improve the efficiency and accuracy of financial reports, monitor financial performance in real time, and assist in business decision-making. MSME actors easily carry out financial activities wherever they are, so that the performance of MSMEs continues to increase and become the main actor in the economic growth of a region. A good understanding of MSME actors about financial literacy, human resources, and financial technology can help MSME actors make the right in making decisions to improve their business performance (Bastos, Oliveira, & Caggiano, 2021; Lisnawati, Aryati, & Gunawan, 2024). With digital accounting, recording transactions and making financial reports can be done automatically and more efficiently, so that MSME actors can focus more on business development and product innovation (Azzari et al., 2020). Good financial record-keeping, financial statement recording, and guidance on using digital accounting applications can help MSME actors manage their businesses (Vieira, Matheis, Lehnhart, & Tavares, 2024). In addition, digital accounting helps MSME actors avoid frequent recording errors (Chamboko, 2024). The implementation of a digital-based bookkeeping system plays an important role in terms of competitive advantage and expansion of market position. Technological advances and increasingly fierce business competition require MSMEs to utilize technology in managing their businesses (Handoko, Sulaiman, Sugito, & Sabiq, 2024). Data analysis becomes faster and more accurate, allowing MSME owners to make more timely and informed business decisions (Q. Liu, Chiu, & Baldwin, 2024).

Digital transformation is the main foundation for achieving business sustainability in the digital era. The challenges of digital transformation in accounting information systems, including the need for changes through digital technology, MSMEs must be able to compete in the digital market, although this is not easy. There are various challenges faced by MSMEs in the digital market, namely the limited ability of MSME actors to adopt digital technology, cost limitations, the inability of MSMEs to meet product standards often hinder them from expanding digital-based export markets as well as complicated, expensive, and time-consuming cross-border business regulations and procedures are other obstacles in digital economic activities especially for MSMEs (Johri et al., 2024; Matchuk, Havrylenko, Lukanovska, Kharkhalis, & Ostapenko, 2024). Other challenges that must be faced by MSMEs include innovation and technology, digital literacy, productivity, legality, financing, branding and marketing, human resources, standardization and certification, equitable distribution of coaching, training, facilities, and management of a single database (Mutya & Ilankadhir, 2024). The use of information technology is the main factor to accelerate local economic development and contribute to the achievement of various sustainable development goals (Antonijević, Domazet, Kojić, & Simović, 2024).

Technology awareness contributes to improving operational efficiency, skilled human resources improve the accuracy of financial statements, suitable technological infrastructure accelerates the accounting process, and government support plays a role in improving the efficiency and competitiveness of MSMEs (Wu, 2022). Therefore, digital accounting plays a crucial role in determining and explaining the achievement of a company's goals (Chanthinok & Sangboon, 2021). In addition to the benefits felt, MSMEs also face several obstacles in the implementation of digital accounting, namely a lack of understanding of digitalization, a lack of skilled human resources, budget limitations, and a lack of government support. The government and MSME actors need to work together in the use of digital accounting so that the scope becomes broader and more sustainable (Xue, Dong, & Jiang, 2024). Likewise, the improvement of technical knowledge and training of accounting professionals in security assessments is essential for the successful implementation and use of digitalization of accounting systems (Yaseen, 2023). The use of accounting information by MSMEs actors in decision-making is very important and can also be used to find out the profits and losses of their business (Al-Khasawneh, 2022).

The urgency of this study is to overcome the challenges of financial management faced by MSMEs, especially in Kerinci Regency, Indonesia. Although the growth in the number of MSMEs has increased significantly, many of them have stopped operating due to financial management problems that have not been optimal, by implementing digital accounting can help MSMEs solve the problems they face. The purpose of this study is to analyze the factors that affect the application of digital accounting in MSMEs in Kerinci Regency.

2. Research methods

2.1. Basic research framework

This study use a quantitative methodology to investigate causal links. This research is conducted using a structured design to obtain evidence that addresses the research statement. A conceptual framework is a cognitive structure utilised as a methodology for problem-solving (Makwana, Engineer, Dabhi, & Chudasama, 2023). This study framework often employs a scientific methodology and illustrates the correlation between variables during the analytical process. Figure 1 illustrates the conceptual framework of the investigation. The image illustrates that digital accounting may be quantified through 5 dimensions, comprising 5 indicators utilised in this study. To elucidate the conceptual framework, the subsequent figure illustrates the trajectory of this research.

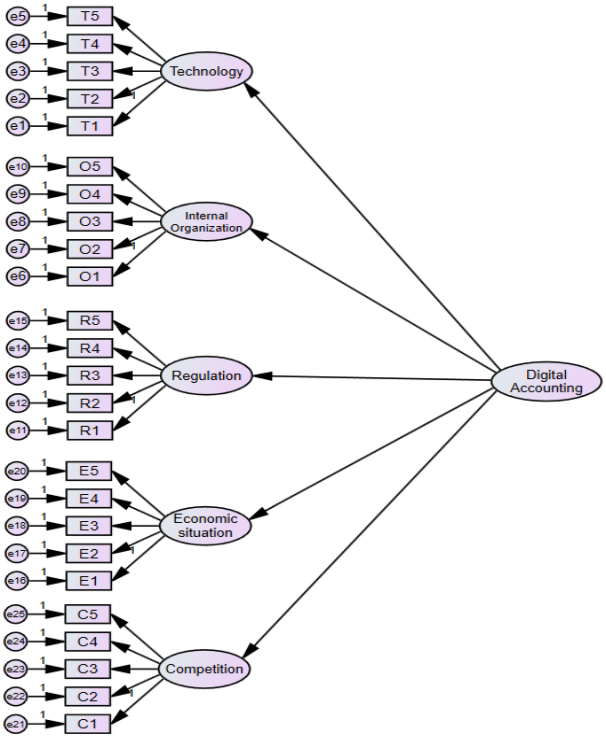

Fig. 1: Research Path Diagram.

2.2. Population and sample

The population in this study is MSME owners in Kerinci Regency. Sample withdrawal technique by purposive sampling. The criteria for drawing the sample are MSMEs that have used digital accounting. For the number of samples in the SEM model, Loehlim (1992) recommends that the number of samples needed is between 100 – 200, while Hair et al (2010) recommend that for the number of latent variables ≤ 5, with the number of indicators > 3, the number of samples needed is 100 – 150 (A. Sari, 2022). Based on this explanation, the sample in this study is as many as 100 respondents.

2.3. Methods of data analysis

Diana and Suhr (2006). Confirmatory factor analysis (CFA) is a technique employed to evaluate the extent to which the measured factor accurately represents the construct or pre-established factor (A. E. Sari, Haryono, & Yuliviona, 2024). The examination of the Confirmatory Factor Analysis (CFA) methodology was conducted utilizing AMOS 21 with Second-order Confirmatory Factor Analysis. If the latent variable cannot be directly quantified through the indicator variables, then first-order confirmatory factor analysis is not applicable, necessitating the use of higher-order or second-order confirmatory factor analysis. The equations employed in the second-order confirmatory factor analysis model are:

$x = B\ (\Lambda\xi + \delta\ ) + \varepsilon = B\Lambda\xi + B\ \delta + \varepsilon$

Information:

B and Λ	= Matriks loading factor
ξ	= Random vektor let variable
ε dan δ	= Residual
x	= Vector of sizing indicator variables

3. Results and discussion

3.1. First-order confirmatory factor analysis (CFA)

Confirmatory Factor Analysis (CFA) First Order assesses a latent variable by directly measurable indicators (Saptono, 2017). The explanation of the Confirmatory Factor Analysis (CFA) First Order in the study:

3.1.1. First-order CFA on technology

The Technology variable was measured using five indicators, including TN1, TN2, TN3, TN4, and TN5. The results of the First Order Confirmatory Factor Analysis (CFA) test can be seen in Figure 2.

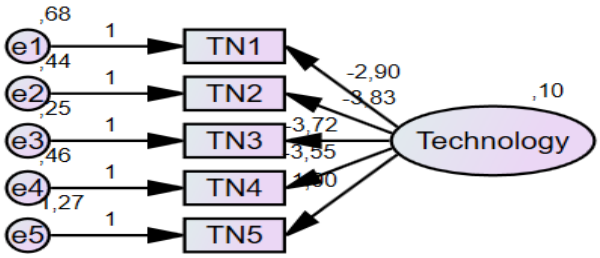

Fig. 2: CFA First Order Technology.

It can be seen that the Technology variable comprises five indicators, namely TN1, TN2, TN3, TN4 and TN5. An assessment is required in the study framework through model testing to examine the unidimensional variables of each indicator in elucidating the latent variables, using the model fit criteria outlined in Table 1.

Table 1: Evaluation of the Goodness of Fit Technology

Criteria of Goodness of Fit Index	Cut-off Value	Result	Evaluation of criteria
$\chi 2$ (Chi-Square)	As small as possible is better and < 2,56	1.599	Accepted
Probability	> 0,05	0,156	Accepted
GFI	> 0,90	0,970	Accepted
RMSEA	< 0,08	0,078	Accepted
AGFI	> 0,90	0,909	Accepted
TLI	> 0,90	0,980	Accepted
CFI	> 0,90	0,990	Accepted

The evaluation findings of Goodness of Fit assess the model's adequacy and viability in the study. If any condition or criterion of the model meets the cut-off value, it can be determined that the Technology model is suitable. The subsequent evaluation involves the loading factor value and the assessment of the relevance of each indication relative to the variable, as seen in Table 2.

Table 2: Significance of the Technology Variable Indicator

Variable indicators			t count	P-value	R2	Result
TN5	<---	Technology			.564	Significance
TN4	<---	Technology	-2,710	,007	.777	Significance
TN3	<---	Technology	-2,728	,006	.853	Significance
TN2	<---	Technology	-2,717	,007	.740	Significance
TN1	<---	Technology	-2,667	,008	.076	Significance

The relevance of the study indicators is evidenced by a tally value above t (1,98) or a P-value less than α 5% or 0.05. Construct reliability (CR) is considered satisfactory if it exceeds 0.7. Table 3 presents the outcomes of the construct reliability (CR) assessment.

Table 3: Computational Construction Reliability (CR) Technology

			Estimate	Measurement Error (ei = 1-Li2)
TN5	<---	Technology	,276	0,924
TN4	<---	Technology	-,860	0,260
TN3	<---	Technology	-,924	0,146
TN2	<---	Technology	-,882	0,222
TN1	<---	Technology	-,751	0,436
		Jumlah	-3,141	1,989

The construct dependability (CR) value derived from the calculations shown in Table 3:

$$CR = \frac{\left[\sum_{i=1}^{n} L_i\right]^2}{\left[\sum_{i=1}^{n} L_i\right]^2 + \left[\sum_{i=1}^{n} e_i\right]}$$

$$CR = \frac{(-3{,}141)^2}{(-3{,}141)^2 + (1.989)}$$

CR = 0,832

The construct dependability (CR) value for the latent variable Technology is 0.832. A construct reliability (CR) value exceeding 0.7 indicates that the latent variable Technology possesses strong reliability.

3.1.2. First order CFA on internal organization

The Internal Organization variable was measured using five indicators, including IO1, IO2, IO3, IO4 and IO5. Figure 3 displays the outcomes of the First Order Confirmatory Factor Analysis (CFA) test.

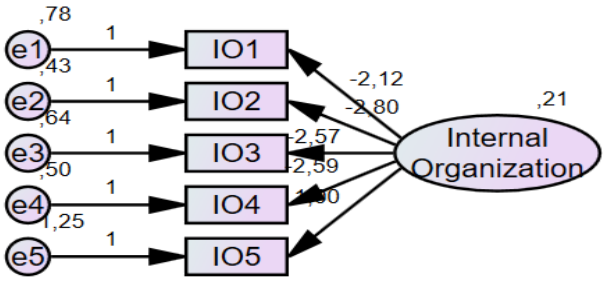

Fig. 3: CFA First Internal Organization.

It can be seen that the Internal Organization variable is composed of five variables, namely IO1, IO2, IO3, IO4, and IO5. The study assesses model fit through testing the research construct by examining the unidimensional variables of each indicator in the context of explaining the latent variables. The model suitability criteria are provided in Table 4.

Table 4: Evaluation of the Goodness of Fit Internal Organization

Criteria of Goodness of Fit Index	Cut-off Value	Result	Evaluation of criteria
χ2 (Chi-Square)	As small as possible is better and < 2,56	1.599	Accepted
Probability	> 0,05	0,010	Accepted
GFI	> 0,90	0,945	Accepted
RMSEA	< 0,08	0,064	Accepted
AGFI	> 0,90	0,836	Marginal
TLI	> 0,90	0,924	Accepted
CFI	> 0,90	0,962	Accepted

The outcomes of the Goodness of Fit assessment ascertain the model's adequacy and viability in the research. If any condition or criterion of the model meets the cut-off value, it can be determined that the Internal Organization model is suitable. The subsequent evaluation pertains to the loading factor value and the assessment of the relevance of each indication relative to the variable, as seen in Table 5.

Table 5: Significance of the Internal Organization Variable Indicator

Variable indicators			t_{count}	P-value	R^2	Hasil
IO5	<---	Internal_Organization			,552	Significance
IO4	<---	Internal_Organization	-3,796	***	,796	Significance
IO3	<---	Internal_Organization	-3,701	***	,688	Significance
IO2	<---	Internal_Organization	-3,844	***	,741	Significance
IO1	<---	Internal_Organization	-3,641	***	,147	Significance

The relevance of the study indicators is evident when the tally exceeds t (1,98) or the P-value is less than α 5% or 0.05. Construct reliability (CR) is considered satisfactory if it exceeds 0.7. Table 4 presents the outcomes of the construct reliability (CR) assessment.

Table 6: Computational Construction Reliability (CR) Internal Organization

			Estimate	Measurement Error (ei = 1-Li^2)
IO5	<---	Internal_Organization	,383	0,853
IO4	<---	Internal_Organization	-,861	0,259
IO3	<---	Internal_Organization	-,830	0,311
IO2	<---	Internal_Organization	-,892	0,204
IO1	<---	Internal_Organization	-,743	0,448
		Jumlah	-2,943	2,075

The construct dependability (CR) value derived from the calculations in Table 6:

$$CR = \frac{\left[\sum_{i=1}^{n} L_i\right]^2}{\left[\sum_{i=1}^{n} L_i\right]^2 + \left[\sum_{i=1}^{n} e_i\right]}$$

$$CR = \frac{(-2{,}943)^2}{(-2{,}943)^2 + (2{,}075)}$$

CR = 0,806

The construct reliability (CR) score for the latent variable Internal Organization is 0.806. A construct reliability (CR) value exceeding 0.7 indicates that the latent variable Internal Organization possesses strong dependability.

3.1.3. First-order CFA on regulation

The Regulation variable was measured using five indicators, including RG1, RG2, RG3, RG4, and RG5. The outcomes of the First Order Confirmatory Factor Analysis (CFA) are illustrated in Figure 4.

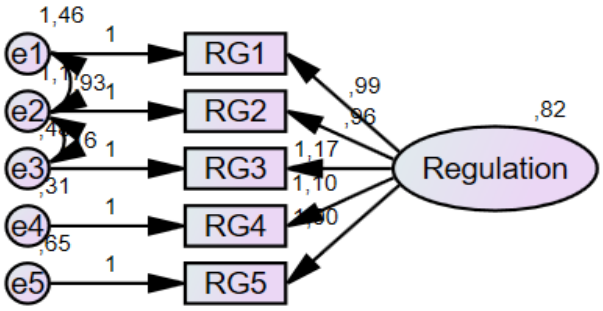

Fig. 4: CFA First Regulation.

It can be seen that the Regulation variable is composed of five variables, namely RG1, RG2, RG3, RG4, and RG5. To assess the research construct, model testing is necessary to observe the unidimensional variables of each indicator in explaining the latent variables. The model suitability criteria are as outlined in Table 7.

Table 7: Evaluation of the Goodness of Fit Regulation

Criteria of Goodness of Fit Index	Cut-off Value	Result	Evaluation of criteria
$\chi 2$ (Chi-Square)	As small as possible is better and < 2,56	2,158	Accepted
Probability	> 0,05	0,091	Accepted
GFI	> 0,90	0,977	Accepted
RMSEA	< 0,08	0,108	Marginal
AGFI	> 0,90	0,885	Marginal
TLI	> 0,90	0,961	Accepted
CFI	> 0,90	0,988	Accepted

The fairness of the Fit evaluation results is used to ascertain the feasibility and fairness of the model in the study. If the cut-off value is satisfied by one of the model's conditions and criteria, it can be inferred that the Regulation model is appropriate or suitable. The subsequent evaluation involves determining the loading factor value and evaluating the significance of each indicator with respect to the variable. This is illustrated in Table 8.

Table 8: Significance of the Regulation Variable Indicator

Variable indicators			t count	P-value	R2	Hasil
RG5	<---	Regulation			,355	Significance
RG4	<---	Regulation	8,331	***	,389	Significance
RG3	<---	Regulation	7,779	***	,700	Significance
RG2	<---	Regulation	5,872	***	,760	Significance
RG1	<---	Regulation	5,661	***	,558	Significance

The relevance of the study indicators is evidenced by a tally value above t (1,98) or a P-value less than α 5% or 0.05. Construct reliability (CR) is deemed acceptable if it exceeds 0.7. Table 8 presents the outcomes of the construct reliability (CR) assessment.

Table 9: Computational Construction Reliability (CR) Regulation

			Estimate	Measurement Error (ei = 1-Li2)
RG5	<---	Regulation	0,747	0,442
RG4	<---	Regulation	0,872	0,240
RG3	<---	Regulation	0,837	0,299
RG2	<---	Regulation	0,623	0,612
RG1	<---	Regulation	0,596	0,645
		Jumlah	3,675	2,238

The construct reliability (CR) value derived from the calculations in Table 9:

$$CR = \frac{\left[\sum_{i=1}^{n} L_i\right]^2}{\left[\sum_{i=1}^{n} L_i\right]^2 + \left[\sum_{i=1}^{n} e_i\right]}$$

$$CR = \frac{(3{,}675)^2}{(3{,}675)^2 + (2{,}238)}$$

CR = 0,857

The latent variable Regulation's construct reliability (CR) value came out to be 0.857. The construct reliability (CR) score for the latent variable Regulation is more than 0.7, indicating good reliability.

3.1.4. First-order CFA on economic situation

The Economic Situation variable was measured using five indicators, including ES1, ES2, ES3, ES4, and ES5. Figure 5 displays the findings from the first-order confirmation factor analysis (CFA) test.

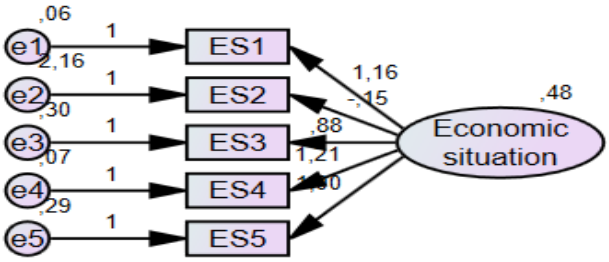

Fig. 5: CFA First Economic Situation.

It can be seen that the Economic Situation variable is composed of five variables, namely ES1, ES2, ES3, ES4 and ES5. It is necessary to evaluate the study construct through model testing in order to see how each indicator's undimensional variables explain the latent variables. The criteria for model acceptability are listed in Table 10.

Table 10: Evaluation of the Goodness of Fit Economic Situation

Criteria of Goodness of Fit Index	Cut-off Value	Result	Evaluation of criteria
χ2 (Chi-Square)	As small as possible is better and < 2,56	2,016	Accepted
Probability	> 0,05	0,073	Accepted
GFI	> 0,90	0,965	Accepted
RMSEA	< 0,08	0,101	Marginal
AGFI	> 0,90	0,894	Marginal
TLI	> 0,90	0,970	Accepted
CFI	> 0,90	0,985	Accepted

The study's model's goodness and feasibility are determined by the results of the Goodness of Fit test. To determine if the Economic Situation model is suitable, we look at whether one of the model's requirements and criteria has reached the cut-off value. The loading factor value and significance tests for each indication with respect to the variable are the next evaluations, as shown in Table 11.

Table 11: Significance of the Economic Situation Variable Indicator

Variable indicators			t count	P-value	R2	Result
ES5	<---	Economic Situation			,917	Significance
ES4	<---	Economic Situation	11,524	***	,005	Significance
ES3	<---	Economic Situation	8,213	***	,551	Significance
ES2	<---	Economic Situation	-,668	,504	,910	Not Significance
ES1	<---	Economic Situation	11,482	***	,625	Significance

It is evident from the study indicators' significance results that four of them had tally values more than t (1.98), or P-values less than α 5% or 0.05. A construct reliability (CR) rating above 0.7 is considered favorable. This is Table 12, which displays the outcomes of the construct reliability (CR) reliability test.

Table 12: Computational Construction Reliability (CR) Economic Situation

			Estimate	Measurement Error (ei = 1-Li^2)
ES5	<---	Economic Situation	0,790	0,376
ES4	<---	Economic Situation	0,954	0,090
ES3	<---	Economic Situation	0,742	0,449
ES2	<---	Economic Situation	-0,068	0,995
ES1	<---	Economic Situation	0,958	0,082
		Jumlah	3,376	1,993

Based on the calculations in Table 9, the construct dependability (CR) value was determined:

$$CR = \frac{\left[\sum_{i=1}^{n} L_i\right]^2}{\left[\sum_{i=1}^{n} L_i\right]^2 + \left[\sum_{i=1}^{n} e_i\right]}$$

$$CR = \frac{(3{,}376)^2}{(3{,}376)^2 + (1{,}993)}$$

CR = 0,851

The construct dependability (CR) score for the latent variable Economic Situation is 0.851. A construct dependability (CR) value exceeding 0.7 indicates that the latent variable Economic Situation possesses strong reliability.

3.2. Second order CFA (confirmatory factor analysis)

To get the results of the calculation from the Second Order CFA (Confirmatory Factor Analysis) analysis in the Second Order Confirmatory Factor Analysis (CFA) with the results are 19 indicators come from indicators that have been tested previously. The diagram for the Digital

Accounting component variable using the Second Order CFA comes from significant indicators only. The results are shown in Figure 6 below :

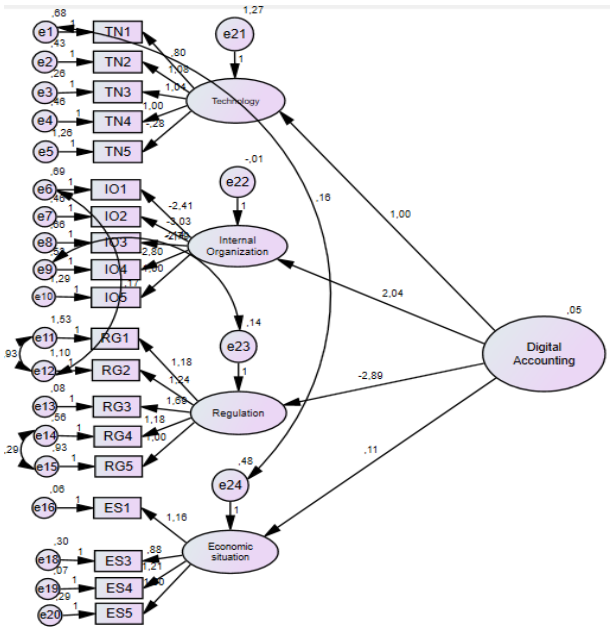

Fig. 6: CFA Second Order.

In Figure 6 Standardize Estimate Second Order. An evaluation is needed in the research structure by conducting a test of the CFA Second Order model, with the evaluation of Goodness of Fit in Table 13.

Table 13: Criteria for Second-Order Compatibility

Criteria of Goodness of Fit Index	Cut-off Value	Result	Evaluation of criteria
χ2 (Chi-Square)	As small as possible is better and < 2,56	1,220	Accepted
Probability	> 0,05	0,038	Marginal
GFI	> 0,90	0,852	Marginal
RMSEA	< 0,08	0,047	Accepted
AGFI	> 0,90	0,804	Marginal
TLI	> 0,90	0,972	Accepted
CFI	> 0,90	0,976	Accepted

The evaluation findings of Goodness of Fit assess the model's adequacy and viability in the study. If one of the model's conditions meets the cut-off value criterion, it can be concluded that the model is appropriate or suitable. The subsequent evaluation is presented in Table 14, which includes loading factor values and assesses the relevance of each indication. to the variable.

Table 14: Significance of the Indicator

			Estimate	S.E.	C.R.	P
TN4	<---	Technology	1,000			
TN3	<---	Technology	1,044	,083	12,548	***
TN2	<---	Technology	1,081	,092	11,726	***
TN1	<---	Technology	,798	,088	9,028	***
IO5	<---	Internal Organization	1,000			
IO4	<---	Internal Organization	-2,801	,794	-3,529	***
IO3	<---	Internal Organization	-2,790	,793	-3,520	***
IO2	<---	Internal Organization	-3,025	,849	-3,565	***
IO1	<---	Internal Organization	-2,406	,692	-3,478	***
RG5	<---	Regulation	1,000			
RG4	<---	Regulation	1,180	,152	7,754	***
RG3	<---	Regulation	1,688	,244	6,915	***
RG2	<---	Regulation	1,237	,224	5,517	***
RG1	<---	Regulation	1,176	,237	4,959	***
ES5	<---	Economic situation	1,000			
ES4	<---	Economic situation	1,207	,105	11,537	***
ES3	<---	Economic situation	,877	,107	8,198	***
ES1	<---	Economic situation	1,159	,100	11,564	***
TN5	<---	Technology	-,285	,104	-2,742	,006

The significance of the study indicators is evidenced by a t-value of 1.98 or a P-value less than α of 5% or 0.05. Table 14 demonstrates that the overall indicators are substantial. Construct reliability (CR) is considered suitable if it exceeds 0.7. Table 15 presents the outcomes of the construct reliability (CR) assessment.

Table 15: Calculation of Construct Reliability (CR) of Second Order Digital Accounting

			Estimate
TN4	<---	Technology	,861
TN3	<---	Technology	,921
TN2	<---	Technology	,883
TN1	<---	Technology	,743
IO5	<---	Internal Organization	,351
IO4	<---	Internal Organization	-,853
IO3	<---	Internal Organization	-,825
IO2	<---	Internal Organization	-,885
IO1	<---	Internal Organization	-,776
RG5	<---	Regulation	,602
RG4	<---	Regulation	,755
RG3	<---	Regulation	,973
RG2	<---	Regulation	,652
RG1	<---	Regulation	,570
ES5	<---	Economic situation	,792
ES4	<---	Economic situation	,954
ES3	<---	Economic situation	,743
ES1	<---	Economic situation	,956
TN5	<---	Technology	-,279

The construct dependability (CR) value derived from the calculations shown in Table 15:

$$CR = \frac{\left[\sum_{i=1}^{n} L_i\right]^2}{\left[\sum_{i=1}^{n} L_i\right]^2 + \left[\sum_{i=1}^{n} e_i\right]}$$

$$CR = \frac{(7{,}138)^2}{(7{,}138)^2 + (7{,}451)}$$

CR = 0,872

The result of the construct reliability (CR) value of the latent variable, The Digital Accounting Second Order, yields a value of 0.872. The value exceeds 0.7. To ensure the hidden variable exhibits high dependability.

3.3. Discussion

3.3.1. Technology affects the application of digital accounting to MSMEs

Technology significantly drives digital accounting adoption. The indicators include (TN1) Ease of use of software, where the software must be easy to understand and use. (TN2) Data security and privacy are protection against cyber threats, such as data encryption and authentication. (TN3) System integration where digital accounting can be connected to other digital support systems. (TN4) Cloud accessibility, where users can access data from anywhere with cloud technology. The automation feature is machine learning that helps in financial analysis and automatic reconciliation. Of the five indicators, the most supportive indicator that results in the influence of technology on digital accounting is TN3 with an R^2 value of 0,853 or 85,3%.

The results of this study found that technology variables have a positive effect on the application of digital accounting in MSMEs. This proves that technological factors can be tested empirically, so that it is acceptable. technology, such as hardware and stable internet access, is very important for the application of digital accounting in MSMEs. It reduces manual errors, speeds up bookkeeping, and produces accurate financial reports. Seamless system integration, cybersecurity, and technical training increase productivity and transparency, giving MSMEs a competitive advantage and sustainability in the digital age. This is in line with the research Prayogi et al (2024) Technology has a significant effect on the use of digital accounting at SMSEs in Medan City. Therefore, technology is an inevitable factor for business operations to maintain their competitiveness, especially when information plays a very important role in management decisions, specifically in using digital accounting (Chanthinok & Sangboon, 2021).

3.3.2. Internal Organization affects the application of digital accounting to MSMEs

Internal Organization is the main aspect of the application of digital accounting. The indicators include (IO1) Management support: Leadership commitment in the implementation of digital technology. (IO2) HR readiness: Employees must have digital literacy and technology-based accounting skills. (IO3) Budget and implementation costs: Companies must consider the cost of licensing, training, and maintaining the system. (IO4) Organizational structure and culture: Companies with an innovative culture are faster to adopt digital technology. (IO5) Business needs: The scale and complexity of the business determine the digital accounting features needed. Of the five indicators, the most supportive indicator that results in the influence of Internal Organization on digital accounting is IO4 with an R^2 value of 0,796 or 79,6%.

This study indicated that internal organizational support is a significant variable. The presence of proficient human resources positively influences the implementation of digital accounting in MSMEs. The study's results indicate that human resources significantly influence the digitization of accounting information. Human resources who are skilled in information technology and digital accounting are very important for MSMEs. They improve operational efficiency, data accuracy, and regulatory compliance, as well as being able to troubleshoot and train teams. This expertise makes MSMEs more adaptive to technological changes, increasing flexibility, and competitiveness for

sustainable growth. This is by research conducted by Tran (2023), with the result that the success of digitalization depends on a variety of factors, including Top Management Teams (TMT), an innovative company culture that supports human resources.

3.3.3. Regulation affects the application of digital accounting to MSMEs

Compliance with regulations is very influential in the implementation of digital accounting. The indicators include (RG1) Digital accounting standards: IFRS, GAAP, PSAK must be complied with in digital financial records. (RG2) Digital tax regulations: Tax regulations that require digital reporting affect the adoption of digital accounting. (RG3)Data security and protection: Must comply with policies such as GDPR or the Personal Data Protection Act. (RG4) Audit and transparency: The system must be able to produce financial statements that are easy to audit. (RG5) Government regulation: The economic digitalization program by the government affects the use of digital accounting.Of the five indicators, the most supportive indicator that results in the influence of regulations on digital accounting is RG2 with an R^2 value of 0,760 or 76%.

This study's results indicate that regulatory factors, including government assistance and laws, positively influence the adoption of digital accounting in MSMEs. Policies with government support are important for the implementation of digital accounting in MSMEs through subsidies, tax incentives, and training programs. The provision of extensive and affordable internet access and data security regulations is also needed. This policy increases the efficiency, accuracy, and competitiveness of MSMEs, encouraging sustainable economic growth. This is by research conducted by Inoue (2024) This study investigates the individual and interactive effects of cellphone penetration and overseas remittances on poverty in emerging countries, drawing on prior research. Models are computed in which the poverty headcount ratio is elucidated by mobile phone subscriptions, remittance inflows, their interaction term, and other conventional control variables utilized in the literature.

3.3.4. Economic Situation affects the application of digital accounting to MSMEs

The Economic Situation also has an impact on the use of digital accounting. The indicators include (ES1) Economic stability: Companies tend to invest more in technology when the economy is stable. (ES3) The company's IT budget; The amount of funds allocated for digital technology affects the speed of digital accounting adoption. (ES4) Software cost: The price of an accounting software subscription can be a deterrent factor for small businesses. (ES5) Return on Investment: The company considers the efficiency and advantages of using digital accounting.Of the four significant indicators, the most supportive indicator that results in the influence of the Economic Situation on digital accounting is ES5 with an R^2 value of 0,917 or 91,7%.

The Economic Situation has a significant effect on digital accounting, both in technology adoption and organizational financial strategy. In stable and growing economic conditions, companies tend to invest more in digital accounting technology to enhance the efficacy, precision, and clarity of financial statements. On the other hand, during an economic slowdown or crisis, digital accounting is a solution to reduce operational costs, optimize financial management, and ensure regulatory compliance more efficiently. In addition, economic fluctuations have also encouraged the increased use of digital-based financial analytics to support faster and more accurate decision-making. This is by research conducted by Rojas & Vásquez (2024)The study's conclusions indicated that digital financial literacy is crucial for financial inclusion and sustained economic growth. And also the research by Inoue (2024) have demonstrated that mobile penetration promotes economic growth and reduces income inequality, but none have analyzed the effect on poverty conditions, and in this respect, this study is a new contribution.

While the technical and regulatory factors influencing the adoption of digital accounting systems in MSMEs are well recognized, socio-cultural and behavioral barriers also play a crucial role. These barriers can significantly impact the successful implementation and acceptance of digital accounting systems, especially in rural or less digitally advanced communities. Socio-cultural barriers such as resistance to change, lack of digital literacy, trust, and perception of data security, and perceived high costs of digitalization.

A significant challenge for many MSMEs, particularly in rural areas, is the resistance to change. Traditional accounting methods, such as manual bookkeeping, have been the norm for decades, and many business owners may feel comfortable with these practices (Ben Nefissa & Jilani, 2022). This resistance stems from a fear of the unknown and skepticism about the effectiveness and reliability of digital solutions. Business owners may be reluctant to shift from a system they know to one they perceive as complex or unnecessary. Digital literacy is another crucial barrier to the adoption of digital accounting in MSMEs (Suparno et al., 2023). Many MSME owners and their employees may lack the skills to operate digital accounting software effectively. This is especially true in regions with lower access to quality education or training in digital tools. Without adequate knowledge and skills, the adoption of digital accounting systems can seem daunting and unfeasible. A major concern in adopting digital accounting systems is the perceived risk regarding data security (Akman, İdil, & Çakır, 2023). Small business owners may fear that using digital platforms exposes sensitive financial data to cyber threats, such as hacking or data breaches (Insani, Rohaya, Mutiara, & Maguchu, 2024). The fear of losing control over their financial data or of falling victim to fraud can deter many MSMEs from adopting digital systems, especially in regions with limited cybersecurity infrastructure. The cost of digitalization, including the price of software, training, and ongoing maintenance, can be seen as a significant obstacle for MSMEs, especially those with limited financial resources (B. Liu & Zhou, 2023). While digital accounting systems can offer long-term savings and efficiency, the initial investment may be seen as too high, especially in small businesses where profit margins are tight (Kusmiati, 2024).

As businesses increasingly look for ways to reduce their ecological footprint, digital accounting systems can play a pivotal role in promoting sustainability within MSMEs, particularly in terms of reducing paper consumption and optimizing resource usage. One of the most immediate environmental benefits of digital accounting systems is the reduction in paper consumption. Traditional accounting processes, which rely on physical records, receipts, and invoices, contribute significantly to paper waste. According to several studies, digital documentation not only minimizes the need for physical paper but also streamlines the way businesses store, retrieve, and manage financial information, significantly reducing their carbon footprint. Recent studies, such as those by Martínez-Peláez et al., (2024)Highlight that businesses that have transitioned from paper-based to digital accounting report a significant reduction in paper use, leading to less deforestation, fewer carbon emissions from paper production, and a reduction in the energy needed to store and manage paper records.

4. Conclusion

This research investigates the factors influencing digital accounting adoption in MSMEs using the Second-Order Confirmatory Factor Analysis (CFA) Method. The findings indicate that Technology, Internal Organization, Regulation, and Economic Situation impact using digital accounting. Among these, Regulation is the most critical factor, as it determines how well MSMEs can integrate and utilize digital accounting solutions. Additionally, regulatory compliance and organizational support play essential roles in ensuring smooth adoption and

sustainability. The study underscores the need for MSMEs to enhance their technological capabilities and financial knowledge to maximize the benefits of digital accounting.

The study has several practical and policy implications. (1) MSME owners and managers should invest in digital literacy training and financial education to improve their ability to adopt and manage digital accounting systems effectively. (2) Government and regulatory bodies should create supportive policies, including incentives and simplified compliance requirements, to encourage digital transformation among MSMEs. (3), technology providers and financial institutions should offer affordable and user-friendly digital accounting solutions tailored to the needs of small businesses. By addressing these factors, stakeholders can enhance MSMEs' financial management capabilities, promote transparency, and improve overall business performance through the adoption of digital accounting.

Acknowledgements

The author wants to express gratitude to the Ministry of Education, Culture, Research, and Technology of the Directorate General of Higher Education, Research, and Technology for their moral support and funding of this research initiative. On the Fundamental-Regular Research scheme entitled "The Development of a Digital Accounting-Based Technology Acceptance Model In Financial Reporting as Catalyst For Green Economy Development Has An Impact On Sustainable Business Penelitian Fundamental - Reguler", according to the Assignment Letter for the Implementation of research with the Number 06/HPL/LPPM/STIE-SAK/VI/2024 dated June 14, 2024, Fiscal Year 2024.

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