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Benefits and Drawbacks of Financial Reporting Practices: A Case Study of UD Harapan Jaya in Pallangga Village

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ABSTRACT: Financial reporting is crucial for the sustainability and competitiveness of Micro, Small, and Medium Enterprises (MSMEs), yet many businesses in developing countries continue to rely on informal financial management practices. This study investigates the perceived benefits and barriers to financial reporting at UD Harapan Jaya, a construction material trading MSME in South Sulawesi, Indonesia. Employing a qualitative descriptive case study approach, data were collected through interviews and observations with the business owner and key staff. Thematic analysis was used to analyze the data and identify key patterns in financial practices and decision-making behaviors. Findings reveal that UD Harapan Jaya has yet to adopt formal financial reporting systems, relying instead on manual bookkeeping and intuitive decision-making. This has resulted in inefficiencies in cash flow management, limited access to financing, and weakened strategic planning. The study identifies significant internal barriers, including limited financial literacy and resource constraints, alongside external pressures such as market competition and fluctuating material prices. The research also highlights the potential of digital financial applications and government support programs in addressing these challenges, emphasizing their role in enhancing financial literacy and enabling MSMEs to transition toward structured reporting practices. The use of SWOT analysis and IFAS/EFAS matrices provided strategic insights that can inform actionable financial management improvements. These findings contribute to the literature on MSME financial practices in resource-constrained settings and suggest pathways for policy and practice interventions.

Keywords: Financial Reporting; Msmes; Financial Literacy; Digital Finance; SWOT Analysis; South Sulawesi; Qualitative Case Study.

INTRODUCTION

Financial reporting plays an essential role in enhancing financial management practices among Micro, Small, and Medium Enterprises (MSMEs), particularly in developing countries where resource constraints and limited access to formal financial systems often impede business sustainability (Edwy et al., 2023; Putri & Husna, 2024). Systematic financial reporting provides MSMEs with structured methods for recording, monitoring, and evaluating financial transactions, enabling business owners to make informed decisions on budgeting, resource allocation, and strategic investments. The significance of financial reporting lies not only in its contribution to operational efficiency but also in fostering accountability, enhancing transparency, and promoting sound decision-making that supports business sustainability and growth (Hikmahwati & Irwansyah, 2023; Perdana et al., 2024).

However, despite these recognized benefits, the level of financial literacy and the prevalence of structured financial reporting among MSMEs remain alarmingly low, especially in regions like Southeast Asia (Gunadi et al., 2021; Triwahyono et al., 2023). Studies have highlighted that the absence of reliable and structured financial data critically affects MSMEs' ability to manage cash flows, budget accurately, and comply with regulatory requirements (Oktaviani et al., 2023; K. Ratnawati, 2020). This often results in financial mismanagement, misinformed business decisions, and ultimately, business failure. Furthermore, limited financial literacy exacerbates these challenges, as MSME owners struggle to understand and utilize existing financial tools and resources effectively, limiting their capacity to attract investors and secure funding (Hou, 2023; R. Ratnawati et al., 2022; Tubastuvi & Rusydiana, 2024). These financial management deficiencies contribute to the vulnerability of MSMEs in unstable and competitive markets (Hamid et al., 2024).

In this context, effective financial management through structured reporting emerges as a strategic imperative for MSMEs seeking to access funding and investment opportunities. Transparent, accurate, and timely financial statements are prerequisites for gaining the trust of investors and financial institutions, which depend on such documents to assess the creditworthiness and financial stability of businesses (Budiasni & Ayuni, 2022). MSMEs lacking structured financial reports are often perceived as high-risk, limiting their access to financing essential for operational scaling and market expansion (Cruz et al., 2023; Lestiyawati, 2023). Consequently, structured financial reporting transcends its regulatory function, representing a vital component of competitive strategy that enables MSMEs to navigate economic uncertainties and enhance market positioning.

Nonetheless, several systemic barriers hinder MSMEs in Southeast Asia from adopting formal financial reporting systems. One of the principal challenges is the pervasive low level of financial literacy among MSME owners, who frequently lack the foundational accounting knowledge required to maintain formal financial records (Zaniarti et al., 2022). This gap in knowledge and skills impairs effective financial management, diminishes reporting behaviors, and obstructs MSMEs from complying with regulatory requirements (Harmadji et al., 2022; Hirawati et al., 2021). Additionally, the perceived complexity and high costs of formal financial systems discourage MSME owners from transitioning from informal to structured reporting practices (Agyapong & Attram, 2019; Suryandani & Sari, 2021).

Other systemic barriers include limited access to professional accounting services, especially in rural or peri-urban regions where accounting expertise is scarce or financially unattainable (Kaban, 2024). Furthermore, a lack of awareness of the strategic benefits of formal financial reporting prevents many MSMEs from recognizing its value for enhancing decision-making and operational efficiency (Pranatasari et al., 2021). The underdevelopment of financial markets and insufficient supportive government policies in several Southeast Asian countries further impede the promotion and adoption of standardized financial reporting practices among MSMEs (Sulistiyowati et al., 2023).

Empirical evidence underscores the transformative potential of improving financial literacy among MSME owners. Studies have consistently found that financially literate entrepreneurs demonstrate superior financial decision-making capabilities, maintain accurate records, and engage proactively in financial planning (Purwidianti et al., 2022; Widyastuti et al., 2023). Tailored training programs that target financial literacy have been shown to empower MSME owners, boost confidence in financial management, and improve performance metrics (Aeni et al., 2024). Moreover, such literacy initiatives have been associated with increased adoption of formal financial reporting practices, which enhance MSME credibility among stakeholders and open new financing avenues (Yanto et al., 2022).

In Indonesia, the adoption of the Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK EMKM) was intended to provide MSMEs with simplified and relevant guidelines for financial reporting (Rayyani et al., 2019). Implemented since 2018, these standards aim to reconcile the need for formal accountability with MSMEs' characteristic limitations, such as constrained resources and accounting knowledge. By adopting SAK EMKM, the Indonesian government endeavors to foster reliable, transparent financial reporting among MSMEs, thereby supporting their sustainability and growth (Amalia et al., 2023; Heliani, 2023).

Nevertheless, the effectiveness of SAK EMKM has been uneven. Research suggests that despite the availability of these standards, many MSMEs continue to face significant challenges in their application, including persistent deficits in financial literacy, inadequate understanding of accounting principles, and lack of access to accounting training (Saputra et al., 2022). Furthermore, MSME owners often view the preparation of financial statements as burdensome, leading them to rely on informal practices that obstruct their access to investment and credit facilities (Fajri et al., 2022).

These limitations underline the urgent need for targeted interventions that not only promote the adoption of SAK EMKM but also improve accounting literacy and financial management capabilities among MSME owners (Mariyudi et al., 2022). High-quality financial reporting is directly correlated with enhanced access to financing, improved decision-making, and business sustainability (Doloksaribu et al., 2023). Case studies, such as those focusing on batik MSMEs, illustrate that adherence to SAK EMKM significantly improves reporting quality, financial management, and operational sustainability (Ifada et al., 2022). Moreover, MSMEs that comply with formal reporting standards are viewed more favorably by financial institutions and investors, increasing their competitiveness in dynamic business environments (Zulfikar et al., 2022).

Despite these insights, many MSMEs still struggle with the practical implementation of SAK EMKM, resulting in inconsistent financial performance and constrained sustainability due to persistent reliance on informal practices (Subhan et al., 2022). Addressing these gaps requires multifaceted strategies, including financial education programs, accessible accounting tools, and stronger institutional support that fosters a culture of structured financial reporting among MSMEs.

Against this backdrop, this study focuses on UD Harapan Jaya, a construction material trading business located in Gowa Regency, South Sulawesi, Indonesia. Despite its significant business growth since its establishment in 2010, UD Harapan Jaya continues to rely on traditional, informal financial management practices, lacking formal financial statements. This situation results in unclear financial positions, suboptimal investment decisions, and difficulties in cash flow management. This study aims to explore the perceived benefits and drawbacks of structured financial reporting from the perspective of the business owner, as well as the internal and external barriers hindering its adoption. By employing a qualitative descriptive case study approach, this research contributes to filling the gap in empirical evidence regarding MSME financial reporting practices in rural Indonesian settings. The study offers valuable insights into how MSMEs like UD Harapan Jaya can leverage structured financial reporting to improve business sustainability, support informed decision-making, and enhance competitiveness amidst evolving market dynamics.

METHOD

This study employed a qualitative descriptive approach with a case study design to explore the perceived benefits and drawbacks of financial reporting at UD Harapan Jaya, a Micro, Small, and Medium Enterprise (MSME) located in Gowa Regency, South Sulawesi, Indonesia. The choice of a qualitative case study methodology is grounded in its ability to provide rich, contextually embedded insights into the financial management practices of MSMEs, particularly in under-researched areas such as rural Indonesia (Ratih & Ridho, 2023). As highlighted by Dahanayake et al. (2018), the case study approach allows researchers to capture the complexities and nuances of financial behaviors within real-world operational contexts, facilitating an in-depth understanding of how financial reporting is perceived and practiced by business owners and their staff .

In selecting the qualitative descriptive case study method, this research acknowledged its strength in investigating subjective experiences, enabling the exploration of MSME owners' interpretations and attitudes towards financial reporting practices (Laguir et al., 2019). While such approaches inherently involve smaller sample sizes and context-specific data, they offer unparalleled depth of analysis, which is particularly valuable for identifying the unique barriers and enablers to financial reporting adoption in the case study enterprise (Pinto, 2023). Recognizing the limitations associated with qualitative research, such as potential researcher bias and challenges in generalizing findings (Apasrawirote & Yawised, 2023), this study exercised methodological rigor by employing systematic data collection and analysis strategies, ensuring that interpretations remained grounded in the empirical data (Arnada & Sofyan, 2023).

Data collection was conducted in January 2025 at UD Harapan Jaya, situated in Desa Pallangga, Gowa Regency. The primary data sources included semi-structured interviews and non-participant observations, providing comprehensive insights into the financial management practices and the internal dynamics of the business. The principal informant for this study was the business owner, Mr. Daeng Ical, supported by additional data from Mr. Daeng Ucu, a key employee responsible for daily financial transactions. The selection of these informants was based on purposive sampling, targeting individuals directly involved in financial decision-making and cash management, consistent with best practices in qualitative case study research (Ratih & Ridho, 2023).

Interviews were conducted face-to-face at the business premises to create a comfortable setting conducive to open dialogue. The interview protocol included open-ended questions designed to elicit detailed responses regarding the perceived benefits and challenges of financial reporting, the current financial management practices, and the obstacles encountered in implementing structured reporting systems. In addition to interviews, direct observations of financial management activities, such as cash handling, record-keeping, and decision-making processes, were carried out. These observations complemented the interview data by providing contextual insights into the daily financial practices at UD Harapan Jaya.

Data analysis followed a thematic analysis approach, enabling the identification, organization, and interpretation of patterns and themes emerging from the collected data (Dermawan et al., 2024). Thematic analysis was chosen for its systematic yet flexible nature, which supports the extraction of meaningful themes that reflect the lived experiences of the participants while allowing for the emergence of unexpected findings (Faizi & Yudhistira, 2023). Following the guidelines articulated by Gope et al. (2018), the data analysis process involved familiarization with the data, initial coding, theme identification, and theme refinement. The iterative coding process ensured that emerging themes were grounded in the participants' narratives, maintaining fidelity to their perspectives and experiences (Laguir et al., 2019).

Thematic analysis also facilitated the examination of how various financial behaviors and perceptions influenced financial management practices at UD Harapan Jaya. Through this approach, the study identified key themes such as the reliance on intuition over structured financial data, the challenges associated with cash management, and the limited awareness of the strategic benefits of financial reporting. The structured framework of thematic analysis provided by Hosoda & Nagano (2023) further supported the organization of these findings into a coherent narrative that linked specific financial practices to broader concepts of financial literacy, risk management, and business sustainability.

To ensure the credibility and trustworthiness of the data, several strategies were employed. Data triangulation was achieved by integrating information from interviews and observations, enhancing the richness and validity of the findings (Laguir et al., 2019). Member checking was conducted by sharing preliminary findings with the primary informant, allowing for validation and clarification of the interpretations drawn by the researchers. Additionally, reflective journaling was utilized throughout the data collection and analysis phases to document the researchers' observations, thoughts, and potential biases, thereby promoting reflexivity and minimizing subjective influence on the study outcomes (Arnada & Sofyan, 2023).

The scope of the study was delimited to the financial management practices of UD Harapan Jaya as a single case study. While the findings offer valuable insights into the financial reporting challenges faced by similar MSMEs in rural Indonesian contexts, the study acknowledges its limitations in terms of transferability to broader populations due to the unique characteristics of the case study enterprise and its specific socio-economic environment (Pinto, 2023). Nevertheless, the depth and contextual richness provided by the qualitative case study approach offer significant contributions to the existing literature on MSME financial management and reporting practices, particularly in underrepresented settings.

In conclusion, the adoption of a qualitative descriptive case study methodology supported by thematic analysis techniques enabled this study to explore the complexities of financial reporting practices at UD Harapan Jaya. By grounding the research in the lived experiences of the business owner and key staff, the study provided context-sensitive insights into the perceived benefits, drawbacks, and barriers to adopting structured financial reporting systems. These insights are instrumental in informing policy interventions, educational initiatives, and support programs aimed at enhancing financial literacy and promoting formal financial reporting among MSMEs in similar contexts.

RESULT AND DISCUSSION

Organizational characteristics such as age, size, and type of business significantly influence the financial reporting behaviors of Micro, Small, and Medium Enterprises (MSMEs). Older enterprises generally exhibit more mature financial practices due to accumulated experience and evolving needs for internal control systems (Nketsiah, 2018). In the context of UD Harapan Jaya, the business was established in 2010 as a small construction material trading enterprise in Pallangga Village, Gowa Regency, South Sulawesi. Over the past decade, it has expanded to operate a central store, two warehouses, and maintain a staff of four employees along with one logistics driver. Despite this growth, the business has yet to transition into formal financial reporting, relying instead on manual and traditional methods such as handwritten ledgers and verbal reporting.

The size of the business further explains its reliance on informal financial practices. While the daily income fluctuates between IDR 5 million and IDR 15 million, largely influenced by project seasons and market conditions, the enterprise is still categorized within the small business tier. As noted by Abbas (2025), smaller enterprises often exhibit informal reporting tendencies due to limited access to professional financial services and minimal external scrutiny from investors or regulators. Moreover, the nature of the business, centered on trading construction materials, necessitates focused inventory and receivable management practices but these have been inconsistently applied due to the absence of structured financial systems (Fathurrahman et al., 2024).

Cash flow and debt management practices are rudimentary, primarily revolving around daily sales without systematic budgeting or forecasting mechanisms. The absence of formal financial reporting has led to inefficiencies in financial planning and decision-making, evident from the owner's testimony describing uncertainty regarding cash balances and the tendency to rely on intuition when making procurement or investment decisions.

Financial Management and Challenges

SMEs like UD Harapan Jaya often face significant challenges in managing cash flow and debt when lacking structured financial records. The inability to accurately document income and expenses has led to difficulties in tracking cash flow patterns, resulting in instances of cash shortages that have disrupted daily operations and caused delays in fulfilling financial obligations (Athia et al., 2023; Otto, 2018). As Otto (2018) and Nicholas et al. (2024) argue, such deficiencies constrain proactive financial management and exacerbate vulnerability to market fluctuations.

Furthermore, the absence of structured records has impaired the company's ability to manage receivables effectively. Testimonies from the staff revealed frequent occurrences of unrecorded debts and neglected receivable monitoring, which aggravated liquidity problems during periods of low sales. The lack of systematic debt management further heightened the risk of credit default by customers, as well as overreliance on short-term, high-interest financing options, compounding the firm's financial instability (Kittisak, 2023).

The use of informal financial management also impeded operational efficiency and hindered strategic decision-making. The lack of transparency and incomplete financial documentation obscured the owner's understanding of the company's financial position, leading to misinformed decisions regarding inventory purchases and business expansions (Nanda et al., 2024). Such practices have entrenched the business in survival mode, focused on daily transactions without long-term planning, consistent with findings by Kouam (2025). The company's inability to provide formal financial statements has also limited its access to financing options from formal institutions, further restricting growth opportunities (Nkwinika & Akinola, 2023).

Potential Benefits of Financial Reporting

The benefits of adopting formal financial reporting systems for MSMEs are well-documented in the literature. For UD Harapan Jaya, the transition to structured financial reporting would significantly enhance transparency, allowing the owner to make more informed operational decisions and enabling better resource allocation (Loist et al., 2023; Sarsiti, 2020). Clear financial records would provide accurate visibility into cash flow, revenues, and expenditures, facilitating investment planning and risk assessment (Sarsiti, 2020).

Adoption of formal reporting would also improve the company's credibility among stakeholders, including banks, suppliers, and potential investors, thereby enhancing access to financing under more favorable conditions (Aeni et al., 2024). Formalized accounting systems help mitigate the risks of fraud and mismanagement, reinforcing trust among clients and ensuring regulatory compliance (Riyani et al., 2024). Additionally, formal reporting would support strategic planning, providing data-driven insights for risk management and future investment decisions, as highlighted by Herman et al. (2023) and Susilowati et al. (2023).

IFAS and EFAS Analysis

An analysis of the internal and external financial management environments of UD Harapan Jaya was conducted using SWOT analysis, supported by IFAS (Internal Factors Analysis Summary) and EFAS (External Factors Analysis Summary) matrices. Table 1 presents the IFAS matrix, identifying strengths such as the ownership of key assets, established customer networks, and stable daily sales. However, the enterprise's internal weaknesses, notably the absence of structured financial statements and limited HR in accounting, severely undermine its financial management capabilities.

Table 1. Internal Factor Analysis Summary (IFAS) of UD Harapan Jaya

Internal Factors	Weight	Rating	Score
Ownership of store and warehouses	0.15	4	0.60
More than 10 years of business experience	0.10	4	0.40
Established customer network	0.10	3	0.30
Stable operating capital from daily sales	0.10	3	0.30
Lack of structured financial statements	0.15	2	0.30
Manual and simple financial management	0.10	2	0.20
Investment decisions not based on financial data	0.15	2	0.30
Limited HR in finance and accounting	0.15	1	0.15

Table 2 presents the EFAS matrix, which shows that while the business enjoys favorable external factors such as increased demand during government projects and proximity to growing housing areas, it faces threats from modernized competitors and price fluctuations in construction materials. Additionally, low financial literacy within the community and the business owner's limited awareness of digitalization opportunities further exacerbate the company's challenges.

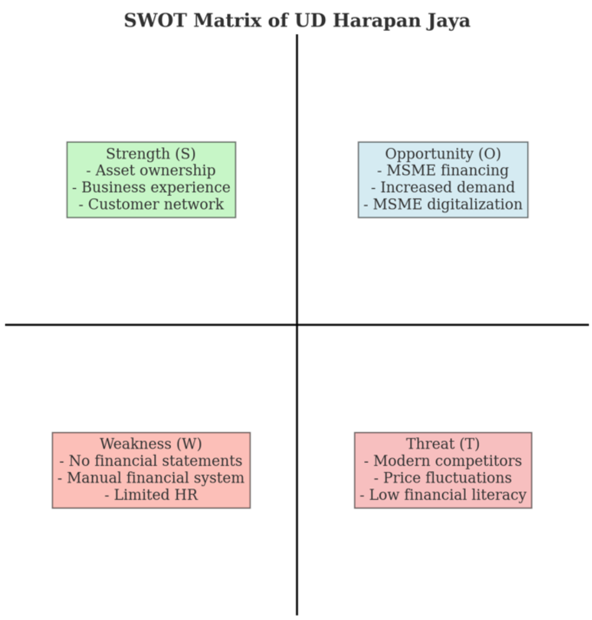
Table 2. External Factor Analysis Summary (EFAS) of UD Harapan Jaya

External Factors	Weight	Rating	Score
Increased demand for construction materials during government projects	0.15	4	0.60
Location near traditional markets and new housing areas	0.10	4	0.40
Many new competitors with modern services	0.15	2	0.30
Opportunities for MSME financing by local government	0.10	3	0.30

External Factors	Weight	Rating	Score
Increased public awareness of product quality	0.10	3	0.30
Threat of fluctuating construction material prices	0.15	2	0.30
Government policy supports MSME digitalization	0.15	3	0.45
Low financial literacy of the community	0.10	2	0.20

The integration of these matrices into the SWOT analysis framework enables the business to identify strategic actions, including leveraging its strengths to capitalize on emerging market opportunities while addressing internal weaknesses through capacity building and technology adoption (Sari et al., 2022; Yusuf & Sukma, 2021). Figure 1 illustrates the SWOT matrix of UD Harapan Jaya, providing a visual representation of its strategic positioning.

Figure 1. SWOT Matrix of UD Harapan Jaya



SWOT and Financial Management Strategies

Successful strategies for transitioning MSMEs like UD Harapan Jaya from informal to formal financial management systems include implementing targeted financial literacy training programs, establishing partnerships with financial institutions, and adopting user-friendly digital financial applications (Rahmajati & Kusuma, 2023). Training programs focusing on accounting principles and the benefits of structured financial reporting could empower the owner and staff to adopt formal practices.

Furthermore, partnerships with local banks and fintech firms could incentivize the transition by offering financial products and services linked to documented financial practices (Du et al., 2024).

The implementation of digital accounting applications could simplify financial management processes, reduce the burden of manual record-keeping, and encourage the business to shift towards formal reporting systems (Chisiri & Manzini, 2022; Rupeika-Apoga et al., 2022).

Government support programs would play a critical role in facilitating this transition by offering subsidies, conducting financial literacy campaigns, and promoting financial inclusion through policy initiatives that reward MSMEs maintaining digital financial records (Zulqarnain et al., 2023). Collectively, these strategies would not only enhance UD Harapan Jaya's financial reporting practices but also strengthen its operational resilience, competitiveness, and ability to contribute to broader economic development.

In summary, the findings underscore the urgent need for UD Harapan Jaya to transition from informal to formal financial reporting practices to address its current financial management inefficiencies, improve decision-making, and position the business for sustainable growth and competitiveness in an increasingly digitalized and regulated market environment.

Alignment of Findings with Previous Research on Financial Reporting Practices among MSMEs

The findings of this case study of UD Harapan Jaya resonate with the broader body of research on financial reporting practices among MSMEs in Indonesia and comparable contexts. Consistent with Mittal (2024), the study confirmed that the absence of formal financial reporting adversely impacts MSME performance by diminishing transparency and undermining accountability. The business's reliance on informal financial practices, such as handwritten ledgers and verbal reports, corroborates earlier findings that such methods hinder accurate financial visibility and obstruct strategic decision-making (Mittal, 2024). These outcomes emphasize the critical role formal financial reporting systems play in enhancing MSMEs' access to credit facilities, as lenders require reliable documentation to evaluate creditworthiness.

Furthermore, the study reinforces the importance of financial literacy in influencing MSME owners' willingness and capacity to adopt formal financial management practices. Esfahani et al. (2018) previously demonstrated that improved financial literacy enables business owners to transition from informal to formal management systems, and the observations at UD Harapan Jaya validate this link. The limited financial knowledge of the owner and staff, as well as their dependence on intuitive decision-making, reflect patterns found in prior studies, underscoring the need for educational interventions to facilitate this transition (Esfahani et al., 2018).

Impact of Digital Financial Applications and Government Support Programs

The study findings further confirm that digital financial applications can serve as a pivotal enabler for overcoming the barriers to financial reporting among MSMEs. Johnsen (2016) and Rahmati et al. (2022) identified the potential of digital tools in streamlining financial management processes, reducing reliance on manual methods, and improving data accuracy. The case of UD Harapan Jaya mirrors these assertions, highlighting how the introduction of user-friendly accounting applications could address the owner's perceived complexity in financial reporting, enhancing their capability to maintain systematic records (Zakirova et al., 2020).

Moreover, the case study supports the premise that government support programs are instrumental in facilitating MSMEs' adoption of formal financial systems. Herdinata et al. (2024) and Jaramillo-Moreno et al. (2020) asserted that targeted programs—including grants, subsidized software, and capacity-building workshops—have proven effective in enhancing MSMEs' financial literacy and bridging resource gaps. The lack of such support mechanisms was evident in the case study, underscoring the necessity of these initiatives to foster an enabling environment for MSMEs to transition towards formal financial reporting (Herdinata et al., 2024).

Best Practices for Leveraging Financial Reporting in MSME Strategies

The application of SWOT analysis supported by IFAS and EFAS matrices, as seen in this study, aligns with the best practices recommended in the literature for MSME financial decision-making. Pratama et al. (2024) and NDATHA & OMBUI (2018) emphasized the significance of structured strategic planning tools in identifying organizational strengths, weaknesses, opportunities, and threats to guide financial strategies. The strategic insights gained from Table 1 (IFAS) and Table 2 (EFAS) provided UD Harapan Jaya with an actionable framework for addressing its internal deficits while capitalizing on external opportunities, a practice extensively endorsed in the literature (Pratama et al., 2024).

Furthermore, Johnsen, 2019 argues that SMEs integrating financial reporting into their strategic planning processes are more resilient and better positioned for sustainable growth. This is echoed in the present study's findings, where the absence of structured reporting at UD Harapan Jaya was associated with reactive and short-term business strategies. The implementation of financial reporting practices within the broader SWOT strategic framework could, therefore, strengthen the enterprise's long-term decision-making and competitive positioning (Johnsen, 2019).

Role of External Support in Enhancing Financial Management Capacity

External support from government, non-governmental organizations (NGOs), and academia remains critical for bolstering MSMEs' financial management capacities. Tahu (2025) highlighted that government interventions—through policy frameworks and financial literacy programs—can significantly optimize MSME operational environments, including improved working capital management and financial resilience (Putri & Husna, 2024). The absence of such support in the case of UD Harapan Jaya exemplifies the gap in current MSME support ecosystems in rural Indonesia, suggesting an urgent need for more localized interventions (Purnamasari, 2025).

NGO-led initiatives are also pivotal in addressing financial management deficits by delivering community-based training programs and facilitating knowledge-sharing workshops (Dahlima et al., 2024). The lack of awareness and perceived irrelevance of formal financial reporting within UD Harapan Jaya underscores the effectiveness of such interventions in enhancing MSME owners' appreciation of the value of financial literacy (Hikmahwati & Irwansyah, 2023).

Academia's involvement through community service programs and tailored training initiatives has been shown to contribute meaningfully to improving MSME financial practices (Yuliati & Huda, 2025). The collaboration between universities and MSMEs in facilitating financial literacy programs and practical consultations remains an underexplored yet promising avenue for bridging knowledge gaps and fostering innovation in MSME financial management (Perdana et al., 2024).

Integration of Digital Financial Tools in Resource-Constrained MSMEs

The integration of digital financial tools was observed to significantly enhance financial reporting practices within resource-constrained MSMEs. Dwyanti (2024) found that cloud-based and mobile financial applications facilitate immediate access to financial data, enabling timely and informed decision-making. This supports the assertion that these tools lower the barriers to formal financial reporting for MSMEs lacking specialized accounting knowledge (Apriyanti & Yuvitasari, 2021).

Furthermore, digital tools promote data accuracy by minimizing manual errors, enhancing the credibility of financial statements (Riyani et al., 2024). This technological intervention was observed to potentially benefit UD Harapan Jaya by improving its financial visibility and enabling proactive financial planning. The use of automated templates and accounting software reduces discrepancies, fostering higher-quality reporting that supports strategic decision-making (Rachmanto & Utami, 2024; Riyani et al., 2024).

In addition to accuracy, digital tools enhance efficiency in financial management processes. Berisha et al. (2023) emphasized that mobile applications can automate routine tasks such as invoicing, payment tracking, and expense documentation, freeing MSME owners from administrative burdens and allowing them to focus on core business activities. This is especially relevant in the case of UD Harapan Jaya, where the owner cited time constraints as a major barrier to formalizing financial reporting.

Moreover, Hamid et al. (2024) argued that digital financial tools promote financial inclusion by broadening MSMEs' access to financial services such as digital lending and payment platforms. This potential is reflected in the study's findings, where the integration of digital solutions could empower UD Harapan Jaya to access broader financial ecosystems and formal financial services, enhancing its financial management capacity and sustainability (Hamid et al., 2024).

Overall, the integration of digital financial tools offers a transformative pathway for MSMEs operating in resource-constrained environments to enhance the accessibility, accuracy, and efficiency of financial reporting practices. The findings underscore that by leveraging these technologies, supported by government and institutional interventions, MSMEs like UD Harapan Jaya can strengthen their financial management systems and position themselves for sustainable growth.

CONCLUSION

This study explored the perceived benefits and drawbacks of financial reporting practices at UD Harapan Jaya, a Micro, Small, and Medium Enterprise (MSME) operating in the construction material sector in South Sulawesi, Indonesia. The findings revealed that the enterprise continues to rely on informal, manual financial management methods, resulting in limited visibility into financial performance, cash flow mismanagement, and suboptimal decision-making. Despite recognizing the potential advantages of adopting structured financial reporting—such as improved financial transparency, enhanced access to financing, and more informed strategic planning—the owner and staff face significant barriers, including limited financial literacy, time constraints, and perceived complexity of financial reporting systems.

The study further highlighted that digital financial tools and government support programs could play pivotal roles in facilitating the transition toward formal financial reporting practices. Additionally, the application of SWOT analysis, supported by IFAS and EFAS matrices, provided strategic insights into internal weaknesses and external threats, enabling the enterprise to formulate actionable strategies for financial management improvement.

These findings contribute to the growing body of knowledge on MSME financial management practices in developing contexts, providing empirical insights into the factors inhibiting formal reporting adoption and the strategic frameworks that can support this transition. Future research should expand on these findings by exploring longitudinal impacts of digital financial tools adoption and examining the effectiveness of integrated financial literacy programs in diverse MSME settings.

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