

## Digital Accounting, Behavior, and Innovation on The Financial Performance of SMEs

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### Article info

### Abstract

#### Keywords:

Digital accounting, Financial behavior, Financial innovation, and MSME financial performance

The purpose of this study is to examine the mediating role of financial innovation and the moderating effect of digital accounting on the relationship between financial behavior and financial performance of micro, small, and medium enterprises (MSMEs) in the city of Malang. To test the hypotheses in the research model, a field study was conducted using a survey method with a total of 112 MSME owners operating in the manufacturing sectors of rattan handicrafts, tempeh chips, and ceramic products in Dinoyo. The data collected from 112 owners and managers were analyzed using correlation and regression analysis with the Structural Equation Model (SEM). The analysis was performed using SEM-PLS software. The novelty of this research demonstrates that financial innovation has a mediating effect, and digital accounting (using the SI APIK application) has a moderating effect on the relationship between financial behavior and financial performance of MSMEs. These empirical findings contribute to improving the financial performance of MSMEs through increased financial innovation and the adoption of digital accounting practices based on the SI APIK application.

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### 1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) are key components of a region's economy. These components have continuously driven various regions in Indonesia to strengthen their MSMEs. There are three main benefits that a region can derive from the existence of MSMEs: (1) MSMEs excel in creating a pool of creative and productive human resources; (2) MSMEs typically enhance their productivity by investing and adapting to technological dynamics; (3) MSMEs have an advantage in terms of flexible financial innovation compared to large-scale businesses (Asmin et al., 2021). MSMEs play a significant role in reducing unemployment by providing job opportunities.

They also contribute to economic growth and increase local revenue (Jubaedah & Destiana, 2016; Suhaili & Sugiharsono, 2019; Nurpramitha & Prabowo, 2019; Srijani, 2020; Nihayah & Rifqi, 2022; Alvarez et al., 2020; and Nihayah & Rifqi, 2022). Furthermore, MSMEs enhance the resilience and competitiveness of the regional and national economy.

According to data from the Department of Cooperatives, Industry, and Trade (Diskopindag) of Malang City, there are approximately 111,012 micro, small, and medium-scale business operators. The Malang City government has provided substantial support to strengthen local MSMEs through Mayor's Circular Number 5 of 2021, which prioritizes the utilization of products from micro, small,

and medium-sized enterprises and creative economy actors in the procurement of goods and services by the Malang City Government through the *Jatim Bejo* and *Bela Pengadaan* applications. The Malang City government has allocated 46 percent of procurement for MSMEs and cooperatives in the budget year 2022. There are several prominent MSME industrial centers in Malang City, including Tempe Chips, Batik, Fashion, Painting, Ceramics, Rattan, Sanitaryware, Pottery, Rattan Furniture, Rackets, and others (Islami et al., 2021). The Covid-19 pandemic has affected the financial performance of MSMEs in Malang City, resulting in: (1) a 61% decrease in sales volume; (2) a 60% decrease in business profits; (3) a 71% increase in business capital issues; (4) a 22% reduction in the number of employees; (5) difficulties in repaying bank loans.

MSMEs facing financial performance issues need to be closely monitored and provided with intensive solutions to ensure their survival during the pandemic and recession. This situation is also related to prospect theory in the financial behavior of MSME operators, who are responsible for managing their business finances (Asmin et al., 2021). MSME operators have limited knowledge and understanding of financial transaction recording. Another problem faced by MSME operators is a lack of financial management skills. Currently, the financial behavior of MSMEs is still mixed with personal finances. MSME operators also need to apply the Small and Medium-sized Entity Financial Accounting Standards (SAK-EMKM) efficiently, in a user-friendly manner, with minimal energy and without the need for in-depth financial theory knowledge. SAK-EMKM serves as the standard for MSME operators to assess the financial performance of their businesses, expand their operations, and serve as a basis for bankable financial reports (Destiana & Jubaedah, 2016).

The solution lies in providing financial innovation support through user-friendly digital accounting that complies with SAK-EMKM. The local government of Malang City needs to conduct intensive socialization to ensure that MSME operators have a comprehensive understanding of the application of SAK-EMKM. The novelty of this research lies in the mediating role of financial innovation and the moderating role of digital accounting on the financial behavior and financial performance of MSMEs. The purpose of this study is to examine the mediating role of financial innovation and the moderating effect of digital accounting on the relationship between financial behavior and financial

performance of micro, small, and medium enterprises (MSMEs) in the city of Malang

## 2. Hypothesis Development

Financial Performance of MSMEs Financial performance refers to the implementation of processes and the achievement of results by a business in delivering services or products to customers (Mendoza, 2015). This study assesses the financial performance of MSMEs based on total assets, sales turnover capacity, and profits obtained by MSMEs over a specific period. The measurement of total assets (wealth/resources) of MSMEs is calculated in currency units, and the breakdown is based on how quickly the changes are converted into cash units (Destiana & Jubaedah, 2016). Assets have the characteristic of being directly or indirectly beneficial, productive, and part of the company's operations, with the ability to minimize cash outflows. Assets are useful in a productive form that can generate cash or cash equivalents in the future (Susilo et al., 2022). They also serve as a means of producing goods and services that can be exchanged for other assets to meet credit/liability repayments. Sales turnover refers to the volume of sales. Sales turnover can increase when accompanied by effective sales activities (Nugroho, 2021). The term "turnover" implies a quantity, while "sales" refers to the activity of selling goods with the aim of obtaining profit or revenue. Sales turnover is the total value of goods or services sold over a specific period, calculated based on the amount of money received. Net profit is the difference between total income and total expenses. It is also referred to as net earnings (Arodi & Kresna, 2017).

Financial Behavior of MSMEs Financial behavior refers to how individuals treat, manage, and utilize their financial resources (Chong et al., 2021). According to Asmin et al. (2021), financial behavior encompasses any human behavior relevant to financial management. Good financial behavior can enhance competitiveness in the global economy, while poor financial behavior can lead to business closure (Bari et al., 2020). Improving the financial performance of MSMEs requires better financial behavior. This is because the financial behavior of MSMEs is crucial in providing training to MSME operators to be more responsible in managing their finances (Tuffour et al., 2020). Positive financial behavior can increase the level of financial well-being (Buchdadi et al., 2020). Financial well-being is achieved when an individual can meet all their needs and still have money left over, can control

their finances, and feel financially secure in the present and the future. Financial behavior is a significant contributor to the financial performance of MSMEs (Bari et al., 2020). Prospect theory underlies the financial behavior of MSME operators to be able to responsibly manage their business finances, thereby improving their financial performance (Asmin et al., 2021). Previous research on the impact of financial behavior on the financial performance of MSMEs conducted by Bari et al. (2020) demonstrated that financial behavior has an influence on the financial performance of MSMEs.

### **Innovation in Finance**

Financial innovation has emerged and rapidly developed in the banking and capital markets in the early 21st century. MSMEs utilize legal online lending applications to strengthen their business capital. They also use digital wallets (such as OVO, Shopee Pay, GoPay, etc.) for bill payments, purchasing supplies, and employee salaries. Internet banking and mobile banking services are designed to facilitate transactions for MSMEs. This has had significant adoption in developing countries, including Indonesia. The development of MSMEs has also facilitated the access to modern financial innovations. Small and medium-sized enterprises (MSMEs) that adopt e-commerce and mobile banking practices can improve the efficiency of financial transactions and operational flexibility. Research by Alkahtani et al. (2020) demonstrated that electronic/digital financial innovation provides advantages for MSMEs, including efficiency, cost reduction, increased sales, and focus on clients and their needs. Other benefits of electronic/digital financial innovation are effective in increasing sales and expanding market share, enhancing the company's legitimacy, lower operational costs, increased profit margins, and better financial performance for MSMEs. This is due to satisfied customers, increased opportunities for mix-selling, attracting new customers, developing customer relationships, and more.

Millions of people worldwide have experienced the "new normal" condition after the COVID-19 pandemic. Shopping habits have undergone a shift, including an increase in online shopping, streaming services for home entertainment, and home delivery of goods or services. MSMEs must be able to utilize digital financial innovation with digital payment systems as a crucial aspect of the online trading sector. The new normal condition after the COVID-19 pandemic has accelerated digi-

tal financial innovation. In this study, financial innovation practices are defined as the ability of MSMEs to use digital financial innovation products and services to maximize the effectiveness of financing and operational transactions, operate during crises, and enter the new normal condition (Ganlin P. et al., 2021). Previous research by Caballero-Morales (2021) measured the level of MSMEs' engagement in innovative financial practices, using digital services such as m-banking, e-wallets, and digital lending or crowdfunding applications. Research by Mehta et al. (2021) demonstrated that MSMEs implementing innovative financial practices have business resilience and quickly recover from the pandemic crisis, leading to sustained financial performance improvement. Therefore, the following hypotheses are proposed:

- H<sub>1a</sub> : Financial behavior has a positive influence on financial innovation.
- H<sub>1b</sub>: Indirectly, financial behavior positively affects the financial performance of MSMEs through the mediating role of financial innovation.
- H<sub>2</sub> : Financial innovation has a positive influence on the financial performance of MSMEs.

### **Digital Accounting**

The current bookkeeping/accounting practices of MSMEs are still simple and not detailed. In fact, almost all MSMEs in Indonesia only record their financial transactions based on cash flow alone (Hariyanto, 2021). One aspect that leads MSMEs to prepare financial statements is the lack of a clear economic entity (Asmin et al., 2021). Most MSMEs cannot differentiate between business transactions and personal transactions, making it difficult to accurately identify their economic entity. The dynamic and rapid business expansion requires MSMEs to adapt to technological advancements to maintain consumer and market expansion and broaden their business networks. MSMEs must now adopt digital accounting/bookkeeping (Hastutik & Harmadji, 2022), known as digital accounting. Accounting practices in MSMEs are still relatively low (Harmadji & Sunardi, 2022).

There is a socialization activity of Simple Bookkeeping for MSMEs using the SI APIK application. SI APIK is an application that assists MSMEs in recording their financial transactions and automatically generates digital financial reports. The SI APIK application is a collaboration between Bank Indonesia (BI) and the Ministry of Manpower, as well as the Ministry of Tourism and Creative Economy, to expand channels and financing for MSMEs'

financial behavior (Marlina et al., 2018). SI APIK (Financial Information Application Recording System) is an online-based financial recording system for Android devices developed by Bank Indonesia. Its goal is to facilitate MSMEs in implementing online financial reporting using a single-entry model, even though MSMEs have limited understanding of accounting. SI APIK can contribute positively to the business activities of MSMEs because it is simple and user-friendly (Rinandiyana et al., 2020).

The transaction data is input into the database first, followed by the transaction process. The transaction menu in the SI APIK application consists of income/revenue and expense/expense transactions. Examples of income/revenue transactions include sales transactions, other income, debt, capital, and advance payments. Expense/expense transactions include material purchases, asset purchases, liabilities, expenses, and material stocktaking. SI APIK is a digital accounting application that helps MSMEs implement the EMKM Financial Accounting Standards in the preparation of their financial statements (Tutar et al., 2015). MSMEs can benefit from more systematic and accurate financial information, determine the cost of goods sold, set appropriate product prices, and manage cash and analyze financial performance more effectively. Therefore, the hypothesis is as follows:

H<sub>3</sub>: Digital accounting positively moderates the relationship between financial innovation and the financial performance of MSMEs.

### 3. Data and Methods

The purpose of this research is to prove the mediating role of financial innovation and the moderating role of digital accounting between financial behavior and financial performance in SMEs in Malang City. The selection of Malang City as the location for the implementation of this research is based on the following reasons: (1) SMEs in Malang City have a more dynamic structure compared to large-scale companies; (2) SMEs are more adaptable to dynamic changes in their external environment; (3) SMEs in Malang City are closer to market changes, making the application of financial innovation and digital accounting more applicable to SMEs; (4) SMEs are the main driver of the economy in Malang City as they can compete in the gap between the needs of large-scale companies and customers; (5) SMEs play a vital role in advancing the economy (Octavina & Rita, 2021).

The population of this study consists of small and medium-sized enterprises (SMEs) in Malang City. The sampling technique used is probability sampling, specifically simple random sampling. This research uses a questionnaire that includes introductory statements, demographic information, and the main measures. Data for the study were collected through face-to-face questionnaires with owners of various SMEs in the city of Malang. The database consists of 112 questionnaires collected from 112 SMEs over a period of 3 weeks (March 3rd - 21st, 2023). The data were collected from SMEs through questionnaires. The questionnaire includes introductory statements, demographic information, and the main measures. Data for the study were collected through face-to-face questionnaires with managers or owners of SMEs of various sizes in the manufacturing sector in Malang City, which is a center for SMEs. A database was created consisting of 112 questionnaires collected from 112 SMEs.

### 4. Result

Table 1 shows that the majority of the data is from Middle/Lower-level Managers, accounting for 72%. 28% of the respondents have a non-graduate educational background. In terms of company size, it can be observed that 44% of the data is from SMEs with 51-250 employees. Only 15% of the SMEs in this study have 250-500 employees. Descriptive statistical values are presented in Table 1.

The data evaluation was conducted using the SEM-PLS computer program. Exploratory and confirmatory factor analyses, correlation analysis, reliability testing, mean of variables, and regression analysis with Structural Equation Modeling (SEM) were used to analyze the relationships among variables in the research model (Hair et al., 2010). The frequencies of demographic variables were analyzed, and the means and standard deviations were calculated. The results are presented in Table 2.

The research constructs were developed using measurement scales adopted from previous studies (Harmadji et al., 2022) and were all measured on a 5-point Likert scale ranging from (1) strongly agree to (5) strongly disagree. Financial behavior (financial planning and budgeting; financial management; savings and investment activities) was measured using a 4-item scale adapted from (Asmin et al., 2021). Digital Accounting was measured using an 8-item scale adapted from different scales developed by (Rinandiyana et al., 2020). Furthermore, the questions on SME financial performance were adapted from a different scale

developed by Ho et al. (2018) and measured using a 5-item scale

Table 1. Descriptive Statistic

<i>Gender</i>		<i>Education</i>			
	Frequency	Valid %		Frequency	Valid %
Female	48	43	Non Degree	32	28
Male	64	57	Degree (Bachelor/Diploma)	67	60
			Master / PhD (S2/S3)	13	12
Total	112	100	Total	112	100

<i>Size of Company</i>		<i>Status</i>			
	Frequency	Valid %		Frequency	Valid %
3--10	17	15	Owner / Shareholder	10	9
11--50	26	24	Top Level Manager	20	18
51-250	52	46	Middle / Bottom Level	82	73
250-500	17	15			
Total	112	100	Total	112	100

In this study, there are two criteria for SEM-PLS. First, it requires the absence of missing values and outliers as prerequisites (Hair et al., 2010). No deficiencies were found in the dataset. Second, model fit analysis must be tested to assess the overall measurement model fit (external model). Several values for acceptable model fit are explained by SMART PLS. The Root Mean Square (RMS) Theta value is less than 0.102. The Standardized Root

Mean Residual (SRMR) is less than 0.1 or equal to 0.08. The Normed Fit Index (NFI) value is greater than 0.9 or very close to 1, considering that the model fulfills the Goodness of Fit (GoF) assumptions. Based on Table 2, the estimated model has an NFI value of 0.964 (very close to 1) and an SRMR value of 0.054 (<0.1). The GoF assumption is satisfied, indicating that this research model is acceptable.

Table 2. Model Fit Test Results

	Saturated Model	Estimated Model
SRMR	0.044	0.054
d_ ULS	0.348	0.66
d_ G	0.168	0.17
Chi-Square	1095.173	1078.617
NFI	0.962	0.964

Model acceptance can be achieved without using all possible index values, as explained by Hair et al. (2010). The use of model fit tests is context-specific. When the purpose of SEM-PLS analysis is hypothesis testing, model fit testing is not the primary priority.

The measurement model test results include the evaluation of instrument reliability, convergent validity, and discriminant validity. The Average Variance Extracted (AVE) value is used to test convergent validity, and it should be higher than 0.50 to be considered valid. Instrument reliability is determined using the values of Composite Reliability (CR) and Cronbach's Alpha (CA), and they should be above 0.70 to be considered reliable. The Heterotrait-Monotrait (HTMT) ratio is used to assess discriminant validity, and the HTMT ratio should be less than 0.90 to be considered valid. All indicator items in this study have loading factors higher than 0.70, as shown in Table 3. This indicates that the

indicators sufficiently reflect the constructs. The CR and CA values of all latent variables in this study are higher than 0.70, as shown in the table. Each latent variable in this analysis also has an AVE greater than 0.50. Based on these ratio values, the instruments developed using the latent variables in this study are reliable and valid.

The discriminant validity of the instruments was evaluated using the Heterotrait-Monotrait (HTMT) ratio. Hair et al. (2010) claim that the HTMT ratio provides a more accurate measure of discriminant validity for reflective research models in PLS-SEM analysis. Valid instruments should have HTMT ratios below 0.90. Based on Table 4, all HTMT ratios for latent variables are below 0.90, indicating that the research instruments used to evaluate the model are valid.

Table 3. Convergent Validity and Reliability Test Results

Variable	Item	Factor Loading	CA	CR	AVE	Outer VIF
Digital Accounting	DigitalAcc1	0.819	0.79	0.857	0.62	2.182
	DigitalAcc2	0.808				2.176
	DigitalAcc13	0.623				1.173
Financial Behavior	FinancialBehavior1	0.802	0.913	0.933	0.739	2.001
	FinancialBehavior2	0.879				3.373
	FinancialBehavior3	0.880				3.407
	FinancialBehavior4	0.857				2.273
Financial Innovation	Inov1	0.892	0.874	0.921	0.798	2.479
	Inov2	0.899				2.632
	Inov3	0.887				2.071
Financial Performance	FinancialPerf1	0.764	0.808	0.881	0.716	1.708
	FinancialPerf2	0.881				2.181
	FinancialPer3	0.889				1.703

The discriminant validity of the instruments was evaluated using the Heterotrait-Monotrait (HTMT) ratio. Hair et al. (2010) claim that the HTMT ratio provides a more accurate measure of discriminant validity for reflective research models in PLS-SEM analysis. Valid instruments should

have HTMT ratios below 0.90. Based on Table 4, all HTMT ratios for latent variables are below 0.90, indicating that the research instruments used to evaluate the model are valid.

Table 4. Discriminant Validity Test (Heterotrait-Monotrait Test Result)

	1	2	3	4	5
1. Digital Accounting (Aktdigital)					
2. Moderating Variable (Aktdigital*Inov)	0.043				
3. Financial Behavior (Behavior)	0.137	0.108			
4. Financial Innovation (Inov)	0.293	0.147	0.098		
5. SME Financial Performance	0.266	0.112	0.061	0.358	

The Structural (Inner) Model Test Result aims to evaluate the ability of the conceptual model to predict the variance of independent and dependent variables. The structural model measurement is conducted through four types of analyses. As a starting point, the authors examine the coefficient of determination (R2) to assess how well the model predicts the data from the observed phenomenon. The R2 value ranges from 0 to 1.00, with 0.75 indi

cating strong, 0.50 moderate, and 0.25 weak prediction power (Hair et al., 2010). Based on Table 5, the R2 values for UKM performance (0.134) and Financial Innovation (0.006) are below the threshold of 0.25, indicating weak determination. This means that the total contribution of the exogenous variables in explaining the three endogenous variables is only 0.6% to 1.8%, with the remaining variance explained by factors outside the model.

Table 5. Coefficient Determination Test Result

	R Square	R Square Adjusted
Sustainable Financial Performance	0.08	0.0064
Survival-Recovery of SMEs	0.135	0.0182

However, Hair et al. (2010) indicate that R2 is not the sole metric to consider when assessing the predictive accuracy of a research model. This is because R2 only represents the explanatory power within the sample and does not say anything about the predictive ability outside the sample. As a result, the predictive approach of SEM-PLS can be used as an additional method to evaluate the external sample's ability to make predictions. The RMSE

/MAE values from the PLS technique are compared to the RMSE/MAE values from the LM method to complement the predictive features of PLS. For instance, if the RMSE/MAE values for each indicator of an endogenous variable using the PLS approach are smaller compared to the LM method, the model is said to have good predictive ability (Hair et al., 2010). The research model exhibits a high level of predictive power beyond the

model's sample, as shown in Table 6, with smaller RMSE values for the PLS technique compared to LM for each endogenous indicator.

Table 6. PLS Predict Test Result

	Q <sup>2</sup> _predict (PLS)	Q <sup>2</sup> _predict (LM)
Inov2	0.003	0.052
Inov1	0.008	0.063
Inov3	-0.002	0.06
Perf 3	0.060	0.067
Perf 2	0.030	0.032
Perf 1	0.022	0.027

The absence of multicollinearity is the second prerequisite for the analysis of the structural model. This study utilizes the PLS technique to calculate the inner VIF values that meet this criterion. In order for the inner VIF to be satisfied, all latent variables should have VIF values below 3 (Hair et al.,

2010). All latent variables in this analysis have VIF values below three, as shown in Table 7. Therefore, the research model does not exhibit multicollinearity.

Table 7. Multicollinearity Test Result

	Sustainable Financial Performance	Survival-Recovery SMEs
Innovative Financial Performance		1.064
Moderating Variable (IFP*SFP)		1.022
Preferential Policies of the Bank	1.000	
Sustainable Financial Performance		1.085

The third prerequisite is the analysis of the Q<sup>2</sup> coefficient values using the blindfolding method to assess the predictive accuracy of the structural model. If Q<sup>2</sup> is greater than 0.05, the structural model can be considered significant (Hair et al., 2018). The Q<sup>2</sup> value for the endogenous variable in this study (Survival-Recovery UKM) is greater than

0.05 (0.086), as shown in Table 8. Simply put, the predictions made using the exogenous factors to account for the endogenous factors are accurate. Therefore, it is reasonable to conclude that the structural model can be applied.

Table 8. Blindfolding Test Result

	SSO	SSE	Q <sup>2</sup> (=1-SSE/SSO)
Innovative Financial Practice	4104	4104	
Moderating Variable (IFP*SFP)	1026	1026	
Preferential Policies of the Bank	5130	5130	
Sustainable Financial Performance	3078	3059.595	0.006
Survival-Recovery SMEs	3078	2812.9	0.086

In this study, a sample of 112 data points was used to conduct significance testing through bootstrapping for both direct and indirect path coefficients. To determine the significance of the relationships between latent variables, hypothesis testing is performed by examining p-values, which should be smaller than 0.1 and 0.05. In the field of economics and management, these thresholds are considered significant. The research hypotheses are currently being evaluated (Hair et al., 2010). Table 9 presents the results of the hypothesis testing for the causal relationships between latent variables.

The information presented in Table 9 provides evidence that the model requirements for mediation relationships have been met. For an intervening variable to have a mediating effect, the independent variable should influence the mediator, while the mediator should affect the dependent variable (Hair, 2010). All the mentioned direct correlations between latent variables are statistically significant. Financial behavior has influenced financial innovation, and in turn, financial innovation has affected the performance of SMEs. Therefore, this indicates that the two tested hypotheses (H1a and H2) have been supported. Table 9 also



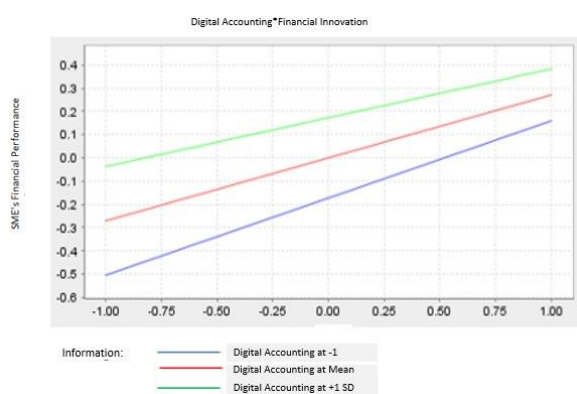
demonstrates that digital accounting significantly moderates the relationship between financial innovation and SME financial performance in a positive manner. Figure 2 illustrates the interaction effect of digital accounting moderation. The figures indicate that there is a higher likelihood of improving financial performance for SMEs that practice high-intensity digital accounting. Similarly, SMEs with low-intensity digital accounting using the SI APIK

application have a lower chance of enhancing their financial performance. However, whether it is high, standard, or low intensity, digital accounting consistently has a positive moderating impact on SME financial performance. Therefore, it can be concluded that H3 is supported.

Table 9. Direct Effect Test Result

Hypotheses	Path	Coefficient	Standard Deviation	T Statistics	P Values
H1 <sub>a</sub>	Behavior → Financial Innovation	0.091	0.033	2.697	0.000**
H2	Innovation → Financial Performance	0.273	0.032	8.297	0.000**
H3	(Moderating Effect) digital accounting*Financial Innovation → Financial Performance	0.062	0.031	1.916	0.059*
	Digital Accounting → Financial Performance	0.172	0.030	5.767	0.000**

Note\*\* Significant in 5% error \*Significant in 10% error



Picture 2: Simple Slope Analysis from Moderating Effect of Digital Accounting

Table 10 shows the specific indirect relationships among latent variables. The table indicates that financial innovation positively mediates the relationship between financial behavior and the financial performance of SMEs. Therefore, it can be concluded that the financial behavior of SME oper-

ators helps improve financial performance. Thus, hypothesis H1b is supported.

#### 4. Discussion

This research was conducted based on a theoretical framework derived from previous studies. The main objective of this study was to investigate the mediating role of financial innovation in the relationship between financial behavior and the financial performance of SMEs. This is important because the findings of this research can provide guidance to SME operators in utilizing: (a) mobile banking/internet banking; (b) legally recognized online loan applications; (c) digital wallets (such as DANA, Shopee Pay, OVO, Gopay, etc.); (d) digital financial facilities for SME transactions. The moderating role of digital accounting, specifically the SI APIK application, was explored as a potential factor for enhancing the financial performance of SMEs in a competitive global business environment.

Table 10. Specific Indirect Effect Test Result

Path	Coefficient	St. Devi.	t Statistics	Prob.
PPB → SCP → SRS (H1b)	0.023	0.008	2.566	.011**

Note: \*\* Significant in 5% error \*Significant in 10% error

Financial planning and budgeting, financial management, savings and investment preferences,

and credit management are dimensions of financial behavior that positively impact the financial performance of SMEs. These factors not only affect the



financial performance of SMEs but also need to be considered in relation to their competitors for business expansion strategies. The importance of harmony and cooperation between business functions should be prioritized. Ineffectiveness of credit management-oriented financial behavior towards the financial performance of SMEs may occur due to the dominant relationship with other dimensions. This condition opens up opportunities for further research.

It was found that all dimensions of financial behavior have a positive impact on financial innovation. This finding encourages SME operators to adopt profit-oriented strategies that contribute to the long-term sustainability of their businesses. Focus should be placed on implementing the SI APIK application as a digital accounting platform that can be socialized by the Malang City Cooperative and SME Agency to SME operators in Malang City. It was also found that digital accounting moderates the relationship between financial innovation and the financial performance of SMEs. For this reason, SME operators who successfully implement SI APIK are able to generate financial reports in accordance with EMKM Financial Accounting Standards, ultimately improving the financial performance of their businesses. One of the most important outcomes of this research is the role of financial innovation as a mediator between financial behavior and the financial performance of SMEs. This finding encourages SMEs to adopt digital financial innovations that lead to improved financial performance. Financial reports, which are outputs of digital accounting (SI APIK), present the recording and classification of financial transactions including sales, purchases, and other economically significant transactions in the business. Financial reports are useful for decision-making in business expansion, thereby enhancing the financial performance of SMEs.

## 5. Conclusion and Suggestions

### Conclusion

The results showed that financial innovation has a mediating effect and digital accounting (using the SI APIK application) has a moderating effect on the relationship between financial behavior and financial performance of MSMEs. Where financial innovation can improve financial behavior towards the financial performance of MSMEs.

### Suggestions

This study has several limitations. The main limitation of this research is that it only considers the financial performance of SMEs as an indicator of SME company performance, which may potentially limit generalizability. Another limitation is that the analysis was conducted only on SMEs operating in the Malang City area. Although Malang City encompasses a significant number of SMEs in East Java, it may limit generalizability. This research could be beneficial for future studies to conduct similar analyses on large-scale, global, and multinational companies as well. The information on financial performance indicators was measured only through subjective opinions. For future research, it is recommended to use objective performance indicators such as analyzing company balance sheets. As mentioned earlier, the variables used in this research are not commonly used together in the literature. Therefore, our aim is to bridge this gap as much as possible and also believe that this analysis can be applied to other SMEs operating in various regions worldwide. Additionally, it provides strong evidence for future work to gain further insights into financial behavior, financial innovation, digital accounting, and SME financial performance. A recommendation for other researchers conducting further studies is to expand the analysis by considering variables such as entrepreneurial orientation, financial inclusion, financial literacy, and others.

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