



Digital Transformation and Governance in MSMEs: Qualitative Perspectives on Financial Accountability in Banten, Indonesia

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Abstract - Micro, small, and medium enterprises (MSMEs) play a strategic role in Indonesia's economic and social development; however, the implications of digital transformation for governance and financial accountability remain insufficiently understood, particularly from a contextual perspective. This study aims to explore how digital transformation reshapes governance practices and financial accountability in MSMEs in Banten, Indonesia. Using a qualitative interpretive case study approach, data were collected through in-depth interviews, observations, and document analysis involving MSME owners and managers. The findings reveal that digital transformation is primarily adopted as a pragmatic response to operational needs, enabling improved financial visibility, transaction traceability, and internal accountability. Nevertheless, governance structures remain informal, centralized, and relational, with accountability largely oriented toward trust-based relationships rather than formal regulatory compliance. Theoretically, this study advances the literature on digital transformation, governance, and accountability by challenging corporate-centric assumptions that equate digitalization with formalized governance, and by demonstrating how digital accountability is socially embedded within informal governance systems of MSMEs in developing economies. Practically, the findings provide insights for policymakers, financial institutions, and MSME support organizations to design context-sensitive digital governance initiatives that strengthen accountability without imposing rigid reporting requirements that may burden small enterprises.

Keywords: Digital transformation; Governance; Financial accountability; MSMEs; Qualitative study

Abstrak - Usaha mikro, kecil, dan menengah (UMKM) memiliki peran strategis dalam pembangunan ekonomi dan sosial di Indonesia. Namun demikian, implikasi transformasi digital terhadap tata kelola dan akuntabilitas keuangan masih belum sepenuhnya dipahami, khususnya dari perspektif kontekstual. Penelitian ini bertujuan untuk mengeksplorasi bagaimana transformasi digital membentuk praktik tata kelola dan akuntabilitas keuangan pada UMKM di Provinsi Banten, Indonesia. Penelitian ini menggunakan pendekatan kualitatif dengan desain studi kasus interpretatif melalui pengumpulan data berupa wawancara mendalam, observasi, dan analisis dokumen terhadap pemilik dan pengelola UMKM. Hasil penelitian menunjukkan bahwa transformasi digital diadopsi terutama sebagai respons pragmatis terhadap kebutuhan operasional, yang memungkinkan peningkatan visibilitas keuangan, keterlacakkan transaksi, dan penguatan akuntabilitas internal. Meskipun demikian, struktur tata kelola UMKM tetap bersifat informal, terpusat, dan relasional, dengan orientasi akuntabilitas yang lebih menekankan pada hubungan berbasis kepercayaan dibandingkan dengan kepatuhan formal terhadap regulasi. Secara teoretis, penelitian ini memperkaya literatur tentang transformasi digital, tata kelola, dan akuntabilitas dengan menantang asumsi korporat-sentris yang menyamakan digitalisasi dengan formalisasi tata kelola. Temuan penelitian ini menunjukkan bahwa akuntabilitas digital pada UMKM bersifat tertanam secara sosial dalam sistem tata kelola informal di negara berkembang. Secara praktis, hasil penelitian ini memberikan implikasi bagi pembuat kebijakan, lembaga keuangan, serta organisasi pendukung UMKM untuk merancang inisiatif tata kelola digital yang sensitif terhadap konteks, yang mampu memperkuat akuntabilitas tanpa membebani UMKM dengan tuntutan pelaporan yang kaku dan tidak proporsional.

Kata kunci: Transformasi digital; Tata kelola; Akuntabilitas keuangan; UMKM; Studi kualitatif



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INTRODUCTION

Background and Empirical Phenomenon

In Indonesia, micro, small, and medium enterprises (MSMEs) constitute a vital segment of the economic structure, significantly impacting employment generation, income distribution, and regional economic sustainability (Purnomo et al., 2024). Beyond their quantitative contribution to the national

gross domestic product, MSMEs serve important socio-economic roles, influencing social relations, ethical norms, and the establishment of trust within local communities (Dahlima et al., 2024). In areas like Banten, where traditional and semi-formal enterprises exist alongside industrial zones, MSMEs navigate a complex landscape shaped by global economic shifts and localized socio-cultural dynamics (Aji et al., 2022).

The rapid proliferation of digital technologies has substantially transformed the MSME sector, leading to the adoption of digital payment systems, mobile banking, and e-commerce platforms driven more by immediate necessity than strategic foresight (Fitriasari, 2020). Many MSMEs view digital transformation as a mechanism for survival, enhancing operational efficiency and enabling access to broader markets amid increasing competition and regulatory demands (Achmad, 2023). However, empirical evidence suggests that such digital adoption may not necessarily enhance governance structures or financial accountability within these enterprises (Putri et al., 2023). While digital tools facilitate transaction processes and record management, the governance frameworks governing these MSMEs often retain their informal and relationship-centric nature, posing essential questions about how this digital transformation redefines accountability practices (Admiral et al., 2021; Nadeak et al., 2021).

Digital Transformation in MSMEs

The concept of digital transformation in MSMEs typically involves the incremental adoption of digital technologies aimed at operational improvement and enhanced financial management (Kilay et al., 2022). Unlike large enterprises that can undergo extensive digital overhaul, MSMEs often adopt technologies pragmatically, focusing on practical benefits such as transaction speed, bookkeeping efficiency, and improved customer engagement (Widyasari et al., 2024). This fragmented adoption is frequently influenced by limited resources, variations in digital literacy, and the perceived value of available technologies (Nurjannah et al., 2022).

In the context of Indonesian MSMEs, this transformation is often catalyzed by external influences such as government initiatives promoting digital compatibility and the growing consumer preference for cashless transactions (Ayu et al., 2023). However, many MSMEs implement these digital solutions without accompanying changes to their organizational governance or accountability structures (Amri et al., 2021; Novitasari et al., 2021; Suroso et al., 2021a). The existence of informal decision-making processes means that digital tools may simply coexist alongside traditional governance practices, which remain entrenched despite the technological shift (Yusuf et al., 2022). This indicates that digital transformation should be understood not solely as a technological transition but also as a socio-organizational change that interacts intricately with existing cultural practices and governance logics (Achmad, 2023).

Governance and Financial Accountability Issues

Governance within MSMEs diverges significantly from traditional corporate governance models. Ownership and managerial power is frequently consolidated in the hands of single-owner managers who oversee all aspects of the business, from strategy to operations to finance (Yuneline, 2022). Accountability mechanisms in MSMEs are characterized more by established trust-based relationships and moral obligations than by formal, standardized reporting processes (Fitriasari, 2020). Thus, local MSME managers tend to prioritize accountability to their employees, families, and long-term clients over adherence to external compliance standards (Wulandari et al., 2023).

In this unique governance environment, financial accountability is primarily internal and relational. MSMEs often maintain financial records not as a demonstration of transparency but as tools for operational decision-making (Aviyanti & Widyastuti, 2024). The introduction of digital financial tools complicates this landscape. Digital records can improve traceability and transparency; however, the lingering informal governance systems raise questions regarding how these digital resources are understood and employed in the decision-making process (Sulistiyowati et al., 2023). Consequently, this scenario emphasizes the need for a dynamic examination of governance and accountability practices, considering the transformative influences of digital technology (Amri et al., 2023).

State of the Art

Current scholarship surrounding digital transformation and governance predominantly centers on large organizations, examining managerial efficiencies and compliance outcomes, typically relying on quantitative assessments (Zaenuddin et al., 2023). While this literature provides valuable insights into the impacts of digital tools on performance metrics, it often neglects the lived experiences of MSMEs that operate within disparate institutional and cultural frameworks (Hermina, 2024). Recent studies have

identified challenges faced by MSMEs in their digital adoption, such as inadequate digital literacy, financial limitations, and inconsistent technological access; however, many fail to explore the nuanced implications of digitalization on governance and accountability as holistic processes (Siswantini et al., 2023).

There remains a significant deficit of qualitative research that fully captures how MSME stakeholders perceive and enact digital governance and accountability (Baroroh et al., 2023). Particularly in Banten, where informal practices are prevalent, qualitative insights are necessary to deepen understanding of the intricacies at play. As traditional corporate governance principles are not easily applicable to the MSME context, investigations must be sensitive to the socio-cultural realities that shape governance and accountability practices (Nurjannah et al., 2022).

Research Gaps and Novelty

This study aims to address several identified gaps in existing literature. First, it seeks to fill the empirical void by providing qualitative evidence on how digital transformation influences governance and financial accountability from the perspectives of MSME owners and managers (Jalari et al., 2023). Most prior studies have relied on quantitative measures that fail to capture the intricate realities faced by MSMEs in their operational contexts (Surahman & Sya'ban, 2021).

Secondly, the research acknowledges a contextual gap, as existing insights from corporate or developed-country contexts cannot be intuitively applied to Indonesian MSMEs, which operate within unique regulatory and cultural frameworks (Zutshi et al., 2021). Therefore, locally focused research is imperative to draw relevant conclusions about the impact of digital transformation on governance and financial accountability in this specific setting.

Finally, this research addresses a methodological gap by adopting an interpretive qualitative approach, allowing it to conceptualize digital transformation as a transformative force that reshapes governance and accountability in informal settings (Kilay et al., 2022). By emphasizing the lived experiences of MSME stakeholders, this study aims to provide a richer understanding of digital governance in Indonesia's MSME context.

Research Objective and Question

The primary objective of this study is to analyze how digital transformation modifies governance practices and financial accountability frameworks within MSMEs in Banten, Indonesia. Rather than evaluating digital adoption through the lens of conventional corporate benchmarks, the research intends to explore how digital tools have been integrated into existing governance paradigms and accountability relationships (Putri et al., 2023).

Specifically, the research aims to investigate MSME actors' interpretations of digital financial tools and their implications for accountability and decision-making processes. By focusing on this intersection of technology, governance, and socio-cultural values, the study seeks to deepen understanding of digital governance practices amidst the background of Indonesia's MSME landscape, ultimately contributing to larger discourses on digital transformation and socio-economic empowerment within the sector.

Literature Review and Theoretical Context

Digital Transformation in MSMEs

Digital transformation, defined as the integration of digital technologies into business processes, organizational structures, and value creation mechanisms, has emerged as a crucial focus area within the realm of micro, small, and medium enterprises (MSMEs) (Purnomo et al., 2024). In the unique context of MSMEs, digital transformation is typically characterized by a gradual and pragmatic adoption of digital tools aimed at enhancing operational efficiency. Frequently adopted digital instruments include digital payment systems, mobile banking platforms, accounting applications, and online marketplaces. These tools can significantly influence financing transactions and record-keeping methodologies (Dahlima et al., 2024).

Unlike larger corporations, MSMEs often operate under resource limitations, which significantly impacts their approach to digital technology adoption. Such enterprises tend to implement digital solutions reactively—prompted by immediate requirements such as consumer demands for cashless transactions or the necessity to comply with regulatory banking requirements—rather than proactively through a comprehensive strategic initiative (Aji et al., 2022). This often results in fragmented digital

practices that do not replace but rather coexist with conventional and informal business routines, highlighting the unique operational constraints faced by MSMEs (Fitriasari, 2020).

The literature emphasizes that digital transformation within MSMEs is significantly shaped by contextual variables, including institutional support, regulatory pressures, and socio-cultural norms. Studies illustrate that MSMEs in developing economies often grapple with inconsistent access to digital infrastructure and professional support, factors that critically influence the pace and extent of their digital adoption (Achmad, 2023). Consequently, outcomes of digital transformation can vary widely across different regions and sectors, posing a challenge to universal models of digital maturity (Putri et al., 2023).

From a theoretical standpoint, viewing digital transformation as a socio-technical process rather than solely a technological evolution is essential. Digital tools do not function in isolation; their impacts are inherently intertwined with existing organizational values, governance frameworks, and decision-making practices (Kilay et al., 2022). This theoretical lens advocates for comprehensive examination of how MSMEs interpret and integrate digital technologies within their specific operational and cultural contexts, emphasizing that the effectiveness of digitalization cannot be entirely captured through technological metrics alone.

Governance and Financial Accountability in MSMEs

Governance structures within MSMEs differ fundamentally from those in corporate frameworks that often emphasize formal structures, clear role delineation, and standardized control systems. In MSMEs, governance tends to exhibit centralized authority, where owner-managers fulfill the roles of strategists, operators, and financial overseers. The decision-making landscape is often personalized, closely tied to individual values, experiences, and ethical orientations (Widyasari et al., 2024).

Accountability in MSMEs primarily functions on a relational and internally focused basis. Accountability mechanisms are fostered through trust-based relationships with employees, family members, customers, and local stakeholders. Consequently, financial records are utilized mainly to support operational decision-making rather than to fulfill external reporting obligations (Nurjannah et al., 2022). This model of accountability favors moral responsibility and social reputation over formalized transparency (Ayu et al., 2023).

Existing literature frequently assesses MSME governance and accountability against corporate-centric benchmarks, which risks framing informal governance structures as inferior (Mahendra et al., 2023). Nevertheless, qualitative research indicates that informal and relational models of accountability can be extraordinarily effective within small business environments, cultivating flexibility, commitment, and ethical behavior within the enterprise (Yusuf et al., 2022). Accordingly, recognizing the intertwining of MSMEs with local social and cultural networks is essential for capturing the essence of their governance practices.

Theoretical frameworks addressing governance and accountability in MSMEs benefit from a transition away from agency theory and conventional control models. Perspectives such as stewardship theory and relational governance emerge as more fitting tools for understanding the ethical, trust-based, and value-centric nature of accountability within this sector (Yuneline, 2022). These alternatives highlight the importance of shared goals, long-term engagements, and intrinsic motivations—elements that are particularly salient to MSME governance practices.

Digital Transformation, Governance, and Accountability

The confluence of digital transformation, governance, and financial accountability has historically received considerable attention within corporate contexts, wherein digital systems are presumed to enhance control, transparency, and compliance effectiveness (Wulandari et al., 2023). In these scenarios, digital accounting and reporting mechanisms are perceived as reinforcing formal governance structures and contributing positively to external accountability (Aviyanti & Widyastuti, 2024). However, such a simplistic understanding fails to encapsulate the complexities inherent in MSMEs (Sulistiyowati et al., 2023).

In MSMEs, digital technologies do not eliminate existing informal governance practices; instead, they interact with these arrangements. While digital records can bolster visibility concerning financial transactions, the veracity of decision-making authority often remains centralized in the hands of owner-managers. Hence, digital accountability becomes a function of how these managers interpret and leverage digital information within their governance frameworks (Amri et al., 2023).

Empirical research suggests that digital transformation in MSMEs can have dual effects on established accountability structures. On one side, digital solutions augment internal accountability through greater financial transparency and oversight. Conversely, the enduring presence of informal

governance systems renders accountability deeply contextual and relational (Zaenuddin et al., 2023). This duality necessitates integrative frameworks that acknowledge the simultaneous existence of both digital and informal accountability mechanisms within MSMEs.

This study adopts a contextual and interpretive theoretical approach that views digital transformation, governance, and accountability as mutually constitutive processes. It conceptualizes digital technologies as enablers that reshape governance and accountability practices, while also acknowledging that these transformations are influenced by underlying organizational cultures and contextual factors (Hermina, 2024). By exploring these dynamics within the context of MSMEs in Banten, Indonesia, the study aims to enhance understanding of digital governance and its implications for operational diversity and contextual specificity.

Theoretical Positioning of the Study

Grounded in the synthesized literature, this study positions itself within a context-sensitive theoretical framework. It regards digital transformation as a socially embedded process, intertwining with informal governance structures and relational accountability practices (Siswantini et al., 2023). Instead of maintaining a linear perspective toward formalization, it acknowledges that MSMEs may cultivate hybrid forms of digital accountability that integrate both technological tools and pre-existing ethical and relational norms.

This theoretical perspective allows the research to navigate away from deterministic narratives surrounding digital transformation, thereby refining contemporary governance and accountability theories tailored to MSME contexts. Additionally, it lays the groundwork for examining how digital technologies can support financial accountability without diluting the strong social and cultural ties characteristic of MSMEs operating within developing economies (Baroroh et al., 2023).

RESEARCH METHOD

Research Design and Approach

This study employs a qualitative research design anchored in an interpretive paradigm to explore the interconnected themes of digital transformation, governance, and financial accountability within micro, small, and medium enterprises (MSMEs). The qualitative approach is deemed appropriate because the experiences, meanings, and interpretations surrounding these themes are best understood through in-depth, contextual analysis rather than through quantitative metrics or standardized indicators (Purnomo et al., 2024; Dahlima et al., 2024). By focusing on the lived realities of MSME actors, the research aims to generate nuanced insights into how these participants interact with technology in the context of their governance rituals and accountability standards.

The interpretive lens allows for the exploration of how digital technologies are integrated within existing governance and accountability frameworks. In the realm of MSMEs, digital transformation transcends technological adaptation; it encapsulates socio-organizational shifts characterized by cultural norms, power dynamics, and value systems. The interpretive paradigm, therefore, provides a foundational framework for understanding these complex interactions (Aji et al., 2022; Fitriasari, 2020).

To facilitate an in-depth examination, the study utilizes a qualitative case study methodology. Case studies are particularly effective for questions anchored in "how" and "why," and they are apt when the boundaries between a phenomenon and its context are intertwined (Achmad, 2023). MSME digital practices cannot be disassociated from daily operations and the socio-cultural fabric in which these enterprises exist; therefore, the qualitative case study strategy aligns well with the research objectives, permitting a rich, multifaceted exploration of digital transformation as a contextualized and adaptive process. The research design emphasizes analytical depth over statistical generalizability, aiming to produce theoretically informed insights that advance literature on digital governance and accountability, particularly within developing economies (Putri et al., 2023; Kilay et al., 2022).

Research Context and Location

The empirical setting is Banten Province, Indonesia, which features a diverse ecosystem of MSMEs spanning manufacturing, trade, and service sectors. Banten's nearness to major industrial settings and urban hubs results in competitive pressures that necessitate a degree of digital adaptation while simultaneously retaining informal structures rooted in local socio-cultural practices (Widyasari et al., 2024). This coexistence of digital tools and informal governance structures provides a rich context for examining how these factors influence governance and accountability in MSMEs (Nurjannah et al., 2022).

Regional characteristics such as varying enterprise sizes, sectoral differences, and the stages of digital maturity allow for an exploration of diverse trajectories of digital transformation within the same geographical framework. Some enterprises are represented as family-run micro businesses with minimal formalization, while others have integrated basic digital systems for managing transactions and financial records (Ayu et al., 2023; Anatan & , 2023). As a result, this study's focus on Banten facilitates both theoretically grounded and analytical insights pertinent to broader themes in developing economies.

Participants and Sampling Strategy

The participants for this research consist of MSME owners and managers who are actively engaged in financial governance and decision-making. Using a purposive sampling strategy ensures that selected individuals possess the critical experiential knowledge of digital performance, accounting practices, and governance processes deemed essential for illuminating the research questions (Yusuf et al., 2022; Yuneline, 2022). This approach emphasizes the selection of information-rich cases rather than seeking statistical representativeness.

To qualify for inclusion, participants must have managed their business for at least three years, thus yielding the experience necessary to reflect on the dynamics of digital transformation in their enterprises. The sample encompasses micro, small, and medium enterprises across various sectors, allowing for analytical diversity while maintaining local contextual coherence (Wulandari et al., 2023).

A total of eighteen MSME owners and managers participated in the study. To uphold ethical standards, pseudonyms (P1–P18) were assigned to ensure confidentiality, allowing for a presentation of findings without revealing participants' identities (Aviyanti & Widyastuti, 2024). Data collection persisted until theoretical saturation was reached, indicated by the point wherein new interviews ceased to yield additional meaningful themes or insights. This sample size was governed by principles of qualitative rigor, which prioritize interpretive validity and analytical richness over mere numerical adequacy (Sulistiyowati et al., 2023).

Data Collection Techniques and Research Instruments

The study employs a multifaceted qualitative data collection strategy to ensure depth and contextual richness. The primary method involves semi-structured, in-depth interviews with MSME owners and managers, which are suitable for exploring personal experiences and interpretations related to digital transformation, governance, and accountability (Amri et al., 2023). This method allows participants to articulate their perspectives while ensuring thematic focus remains throughout the interview process.

A flexible interview protocol was developed, facilitating the exploration of participants' views on digital technologies and financial governance (Zaenuddin et al., 2023). The semi-structured format allows for adaptive questioning aligned with the unfolding narratives of participants. Specific thematic domains targeted include participants' definitions of digital transformation, the types of digital tools in use, and their implications for daily operational activities and governance.

Sample guiding questions may include: *How do you define digital transformation in your business context?; What types of digital tools do you employ for financial management?; How have these tools altered your operational processes and transparency in financial practices?* Follow-up questions aimed to probe the interaction between digital practices and organizational structures, helping to foreground the relational dynamics involved in MSME governance (Hermina, 2024; Siswantini et al., 2023).

In addition to interviews, non-participant observations were conducted to capture real-time financial practices within MSMEs. Observational focus areas included the usage of digital payment platforms and interactions surrounding financial decisions. These observations serve to substantiate interview data and reveal how digital accountability is practiced on the ground (Baroroh et al., 2023; Jalari et al., 2023).

Document analysis was employed to further enrich the empirical evidence. Although formal financial documentation is sparse among MSMEs, available records like transaction histories, screenshots of applications, and informal financial notes provided insights into how digital tools underpin financial governance (Surahman & Sya'ban, 2021; Zutshi et al., 2021). This triangulated the data and strengthened the link between digital transformation and governance practices.

Data Analysis Procedures

Data analysis employed a thematic analysis approach, which allows for systematic interpretation while preserving contextual depth. Transcribed interviews, observational notes, and documents were

consolidated into a comprehensive dataset. Initially, open coding was applied to identify key concepts and patterns pertinent to digital transformation, governance, and accountability (Haqqi, 2023; Marwan et al., 2022).

As codes were refined, they were grouped into broader categories through axial coding. This process examined relationships between themes concerning the roles of digital tools in shaping decision-making and governance values. The iterative nature of this method facilitated the evolution of themes based on emerging insights from the participants (Legowo & Sorongan, 2022).

The final analytical stage involved interpretive synthesis, where the identified themes were contextualized within existing academic literature and theoretical frameworks. This enabled the identification of convergences and divergences between the empirical findings and established theoretical constructs, enhancing theoretical sophistication rather than merely confirming pre-existing notions (Yanto et al., 2022). Throughout the analysis, constant comparison techniques were utilized to ensure analytical consistency and rigor—examining data segments across participants and sources to highlight both commonalities and contextual nuances (Darusalam et al., 2023).

Trustworthiness and Ethical Considerations

Ensuring the trustworthiness of the study, strategies addressing credibility, dependability, and confirmability were meticulously applied. Data triangulation was achieved through multiple sources, including interviews, observations, and document analysis, ensuring cross-validation and minimizing reliance on singular evidence bases (Pribadi et al., 2024; Lisana, 2021).

Member checking was performed by sharing preliminary interpretations with participants to verify their accuracy and resonance. This method allows for participants' perspectives to influence the refining of thematic interpretations (Kilay et al., 2022).

Maintaining researcher reflexivity throughout the process was crucial for minimizing bias. Reflections, analytical decisions, and interpretations were documented systematically, supporting methodological transparency and rigor (Meilariza et al., 2024; Setyawan, 2024).

Ethical considerations were observed in accordance with qualitative research standards. Informed consent was obtained from all participants, who were made aware of their rights to withdraw and the voluntary nature of their involvement. Confidentiality was preserved by using pseudonyms and secured data storage, ensuring ethical integrity throughout the research (Sulaimani & Ozuem, 2022).

RESULTS AND DISCUSSION

The following sections present the empirical findings and their interpretive discussion by integrating participants' narratives with relevant theoretical perspectives. Rather than rigidly separating results and discussion, this study adopts an interpretive approach in which empirical insights and analytical reflections are interwoven to reflect the socially embedded nature of digital transformation, governance, and accountability in MSMEs.

Understanding Digital Transformation in MSMEs

The findings from the study reveal that MSME actors in Banten primarily conceptualize digital transformation as a practical tool aimed at achieving operational survival rather than as a comprehensive organizational strategy. Respondents emphasize a functional perspective, viewing digital transformation predominantly through the lens of immediate outcomes such as enhanced speed and reliability in handling cash flows and customer payments. Commonly utilized digital tools include digital payment systems, mobile banking, simple accounting applications, and online sales platforms, all of which are directly linked to day-to-day transactions (Purnomo et al., 2024; Dahlima et al., 2024).

This practical understanding reflects a tendency among MSME owners to prioritize the usefulness of digital technologies over notions of innovation or competitive differentiation. Participants express that "going digital" is less about ambition and more about the urgency and necessity of adapting to market demands. Digital tools are valued mainly for their ability to decrease manual effort, minimize errors, and deliver clearer financial records. This pragmatic orientation suggests that the process of digital transformation within MSMEs is shaped more by immediate needs and lived experiences rather than abstract ideas of technological advancement (Aji et al., 2022; Fitriasari, 2020).

Furthermore, the empirical data indicate that digital transformation processes are often incremental and fragmented. Instead of adopting integrated digital solutions, many MSMEs employ a mixture of standalone tools, blending messaging applications for customer communication, mobile banking for transactions, and basic accounting software for record-keeping. This coexistence illustrates

that digital transformation does not entirely overtake traditional methods; rather, it supplements them, resulting in a hybrid operational framework (Achmad, 2023).

The participants' approaches to digital transformation are heavily influenced by their socio-economic context. Limited digital literacy, financial constraints, and uncertainties regarding technology reliability shape cautious adoption patterns. MSME actors tend to experiment with digital tools gradually, assessing their usefulness based on practical outcomes rather than through formal strategic planning. The findings thus support the perspective that digital transformation in MSMEs should be perceived as a socially embedded and adaptive process—a negotiated practice shaped by contextual constraints and survival imperatives (Putri et al., 2023).

Digital Practices and Financial Accountability

The study's results indicate that the implementation of digital financial practices has significantly altered the way MSMEs approach financial accountability. Digital payment records, transaction histories, and outputs from accounting applications provide MSME owners with enhanced visibility into their financial status, allowing for improved monitoring of income and expenses. Participants report that digital records are considered more reliable and traceable than traditional handwritten records, thus bolstering confidence in financial decision-making (Kilay et al., 2022; Widyasari et al., 2024).

However, the focus of financial accountability enabled by digital tools remains predominantly inward-facing. Participants highlighted that accountability mechanisms are more directed towards themselves and their immediate networks—family members, trusted employees, and long-standing customers—rather than external stakeholders or regulatory bodies. This internal view implies a management style that prioritizes self-monitoring and relational accountability over formal compliance with external reporting demands (Nurjannah et al., 2022; Ayu et al., 2023).

Moreover, the digital tools available to MSMEs begin to alter the temporal aspect of accountability. Real-time access to financial data allows for immediate responses to economic challenges, such as cash shortages or declining sales. This immediacy fosters a sense of personal responsibility for financial outcomes among owners and enhances managerial control. In this context, accountability becomes an ongoing concern embedded in daily routines rather than infrequent, formal reporting (Suroso et al., 2021b).

Despite the increase in access to data, findings reveal that digital accountability does not inherently lead to standardized transparency. While digital records generate more data, the interpretation and application of this information remain personalized and are often influenced by the judgments of owner-managers. Accountability, therefore, remains relational, emphasizing the need to understand it as a practice shaped by organizational scale and governance logic rather than solely driven by technology (Yusuf et al., 2022).

Governance Adaptation in the Digital Context

Governance structures within MSMEs appear to remain centralized and centered around individual owner-managers, even as digital technologies are integrated into financial management practices. The findings suggest that decision-making authority continues to reside with the owner-manager, who interprets and leverages digital information according to business strategy, thus reinforcing the owner's role as the principal decision-maker rather than distributing authority across a broader organizational structure (Yuneline, 2022).

Nonetheless, digitalization has begun to subtly reshape governance practices by enhancing the flow of information. The use of digital records enables MSME owners to monitor transactions more closely and systematically—reducing dependence on memory or informal employee reporting. This increased visibility serves to bolster internal controls while maintaining the personalized governance structure typical of smaller enterprises (Wulandari et al., 2023; Aviyanti & Widyastuti, 2024).

Family involvement plays a critical role in how governance adapts within the digital landscape. Many family members actively participate in managing digital tools, whether by overseeing online payments or maintaining transaction records. This shared engagement strengthens trust-based governance while facilitating the division of operational responsibilities. Thus, digital governance takes the form of informal, collective practices rooted in familial relationships, which retain the relational nuances characteristic of the sector (Sulistiyowati et al., 2023).

Despite the evident benefits of digital tools, formal governance mechanisms such as codified policies and standardized procedures remain understudied. Participants often expressed a preference for informal and flexible governance approaches over rigid structures. They see digital tools as facilitators of governance rather than governance systems themselves (Amri et al., 2023; Zaenuddin et al., 2023). The study challenges traditional assumptions that digitalization necessarily leads to formal governance

structures, highlighting that, in MSMEs, the process results in hybrid governance arrangements that support decision-making within enduring informal frameworks (Hermina, 2024).

Integration of Digital Transformation and Governance

Critically, the integration of digital transformation with governance practices in MSMEs occurs organically through routine business activities. Digital tools become intertwined with everyday decision-making, affecting how owners frame financial performance, navigate risk, and maintain accountability to stakeholders. Rather than functioning as isolated components, technology and governance are integrally linked in daily operations, reinforcing one another (Siswantini et al., 2023; Baroroh et al., 2023).

For instance, during the decision-making process regarding employee wages, owner-managers utilize digital records to assess affordability and responsibly manage their obligations to staff. The digital data offer the boundaries necessary for such decisions, while governance principles shape the ethical dimensions of their choices. This integration is evidenced in how MSMEs address accountability disputes; digital transaction records clarify misunderstandings with customers or suppliers and reinforce relational trust (Jalari et al., 2023; Surahman & Sya'ban, 2021).

Importantly, the organic integration of digital tools does not negate informal practices. Verbal agreements, personal trust, and moral commitments persist alongside digital methods, suggesting that MSMEs selectively adopt technological data while upholding traditional accountability mechanisms congruent with their cultural frameworks. This work emphasizes the need to view digital transformation and governance as mutually reinforcing processes in MSMEs, resulting in context-specific forms of accountability that differ significantly from corporate models (Zutshi et al., 2021).

Theoretical and Practical Implications

From a theoretical perspective, the findings extend the discourse on digital transformation by demonstrating that technology adoption among MSMEs primarily emphasizes sustaining accountability within informal governance systems rather than pursuing strategic innovation. Digital tools emerge as enablers of financial responsibility rather than mere facilitators of formal governance, challenging prevailing corporate-centric assumptions tied to accountability (Haqqi, 2023; Marwan et al., 2022).

The study also advances governance theory by highlighting the ongoing effectiveness and relevance of relational governance in MSMEs throughout the ongoing digitalization. Financial accountability remains anchored in trust, ethical responsibilities, and social networks, even as digital tools enhance transparency and monitoring capabilities (Legowo & Sorongan, 2022; Yanto et al., 2022). Consequently, governance frameworks must respect and incorporate organizational diversity and the relationality of accountability.

Practically, the research suggests that policymakers should refrain from imposing stringent digital reporting standards on MSMEs and instead provide support that focuses on improving financial literacy and fostering the use of user-friendly digital tools. Initiatives aimed at digital transformation should align with the existing governance frameworks within MSMEs to ensure effective integration (Anatan & , 2023; Darusalam et al., 2023).

Additionally, insights from the study highlight the importance of contextual interpretation of digital records by financial institutions and development agencies. Digital data should function as indicators of accountability potential rather than mere measures of formal compliance, promoting more tailored assessment strategies that recognize the realities of MSME financial practices (Pribadi et al., 2024; Lisana, 2021).

In conclusion, this research advocates for inclusive digital governance frameworks that honor the lived experiences of MSMEs. By situating digital transformation within the broader landscape of governance and accountability, the study contributes to the pursuit of equitable and context-informed strategies for the development of MSMEs in emerging economies (Kilay et al., 2022; Meilariza et al., 2024).

CONCLUSION

Summary of Key Findings

This study reveals that digital transformation in micro, small, and medium enterprises (MSMEs) in Banten, Indonesia is predominantly understood and enacted as a pragmatic response to operational needs rather than as a formal strategic initiative. MSME actors adopt digital tools—such as digital payment systems, mobile banking, and basic accounting applications—to support daily transactions,

improve efficiency, and enhance financial visibility. Digitalization is incremental, fragmented, and closely intertwined with existing informal business practices.

The findings further demonstrate that digital transformation reshapes financial accountability by enhancing traceability, immediacy, and internal control over financial information. However, accountability remains primarily relational and inward-facing, oriented toward owner-managers, family members, employees, and trusted partners rather than external regulators. Digital records strengthen accountability practices without fundamentally altering their informal and personalized nature.

Governance structures in MSMEs remain centralized and owner-centered, even in digitally enabled environments. Digital tools support governance by improving information flow and monitoring capacity, but they do not replace trust-based decision-making, ethical judgment, or relational accountability. Instead, digital transformation and governance integrate organically within everyday practices, resulting in hybrid forms of digital accountability embedded in social and cultural contexts.

Answer to the Research Objective

The primary objective of this study was to explore how digital transformation reshapes governance practices and financial accountability in MSMEs operating in Banten, Indonesia. The findings indicate that digital transformation functions as an enabling mechanism that enhances financial visibility and accountability while coexisting with informal, value-based governance structures.

Rather than formalizing governance or imposing standardized accountability frameworks, digital tools are selectively appropriated by MSME actors to support decision-making, uphold ethical responsibilities, and sustain trust-based relationships. Digital transformation thus reinforces existing governance logics instead of replacing them, highlighting that accountability in MSMEs is shaped as much by social relations and moral commitments as by technological capabilities. Accordingly, the research objective is met by demonstrating that digital transformation in MSMEs leads to context-specific, hybrid accountability practices—where digital data and informal governance mutually reinforce one another within the lived realities of small business operations.

Theoretical Contributions

This study contributes to the literature on digital transformation by challenging deterministic and corporate-centric models that equate digitalization with formalization and structural change. The findings extend existing theory by conceptualizing digital transformation in MSMEs as a socially embedded and adaptive process shaped by context, values, and survival imperatives.

The study also advances governance and accountability theory by highlighting the persistence and effectiveness of relational and ethical accountability mechanisms in digitally enabled MSMEs. Rather than viewing informality as a deficiency, the findings demonstrate that informal governance can coexist with digital tools to produce meaningful and legitimate accountability practices.

By integrating digital transformation, governance, and financial accountability within a single interpretive framework, this research offers a nuanced theoretical perspective that recognizes organizational diversity. It underscores the need to move beyond universal governance assumptions and toward context-sensitive theories that better reflect the realities of MSMEs in developing economies.

Practical and Policy Implications

From a practical perspective, the findings suggest that MSME support programs should prioritize digital financial literacy and the effective use of simple, user-friendly digital tools rather than imposing complex reporting systems. Training initiatives should be designed to align with MSMEs' existing practices and governance logics, enabling owners to leverage digital tools to strengthen accountability without undermining flexibility.

For policymakers, the study cautions against rigid digital compliance requirements that may burden MSMEs and fail to capture their actual accountability practices. Instead, policies should recognize digital records as indicators of accountability capacity and encourage gradual, context-appropriate digital adoption. Regulatory frameworks that accommodate informal yet responsible practices can foster more inclusive digital transformation.

Financial institutions and development agencies may also benefit from adopting contextual assessment approaches. Digital transaction data should be interpreted alongside qualitative understanding of MSMEs' governance practices, enabling more accurate evaluations of financial responsibility and risk. Such approaches can enhance access to finance while respecting MSMEs' socio-organizational realities.

Limitations and Future Research Directions

Despite its contributions, this study has several limitations. First, the research is based on a qualitative case study within a single regional context, which limits the generalizability of the findings. While the insights are analytically transferable, they may not fully represent MSMEs operating in different institutional or cultural settings.

Second, the study focuses primarily on owner-managers' perspectives, which may underrepresent the views of employees, customers, or external stakeholders. Future research could incorporate multiple stakeholder perspectives to enrich understanding of digital accountability dynamics.

Future studies may also adopt comparative or longitudinal designs to examine how digital transformation and governance evolve over time or differ across regions and sectors. Quantitative or mixed-method approaches could complement qualitative insights by exploring relationships between digital practices, governance quality, and performance outcomes. Such research would further strengthen the theoretical and practical foundations for inclusive digital governance in MSMEs.

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