

Digital Accounting and Islamic Financial Literacy toward Digital Financial Reporting Adoption: The Mediating Effect of Self-Efficacy

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ABSTRACT

As digital transformation reshapes financial management practices, understanding the factors that drive the adoption of digital financial reporting among Sharia MSMEs has become increasingly important due to persistent technological, financial, and psychological barriers. This study examines the effects of digital accounting literacy and Islamic financial literacy on the readiness to adopt digital financial reporting, with self-efficacy serving as a mediating variable among Sharia MSMEs in North Sumatra, Indonesia. A quantitative approach using SEM-PLS was applied to data collected from 187 Sharia MSME owners through purposive sampling. The findings demonstrate that digital accounting literacy and Islamic financial literacy positively and significantly influence both readiness to adopt digital financial reporting and self-efficacy. In addition, self-efficacy was found to positively affect readiness to adopt digital financial reporting. The mediation analysis further confirms that self-efficacy significantly mediates the relationships between digital accounting literacy, Islamic financial literacy, and readiness to adopt digital financial reporting. These results indicate that the digital transformation readiness of Sharia MSMEs is determined not only by digital accounting and Islamic financial competencies, but also by business actors' confidence in their ability to utilize digital technologies effectively.

Keywords: Digital Accounting Literacy, Digital Financial Reporting, Islamic Financial Literacy, Self-Efficacy, Sharia MSMEs.

INTRODUCTION

Digital transformation has become a strategic agenda for improving efficiency, transparency, and accountability in financial reporting systems across business sectors, including Micro, Small, and Medium-Sized Enterprises (MSMEs). The advancement of digital technologies such as cloud accounting, Financial Technology (Fintech), artificial intelligence, and blockchain has significantly transformed modern financial management practices (Shengelia et al., 2022; Alonge et al., 2024). In the MSME sector, digital financial reporting has evolved beyond an administrative function into a strategic tool that supports operational efficiency, access to financing, decision-making quality, and business competitiveness in the digital economy era (Efendi et al., 2023; Antoni et al., 2024).

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In Indonesia's economic development, contributing more than 60% of the national Gross Domestic Product (GDP) and absorbs approximately 97% of the national workforce (Kementerian Koperasi dan UKM RI, 2023). However, despite their strategic role, the adoption of digital financial reporting systems among Indonesian MSMEs remains limited, particularly among Sharia-based MSMEs (Sinaga et al., 2023; Siregar, 2025). Many business actors still rely on manual bookkeeping practices and have not fully integrated digital accounting systems into their financial activities (Anggara & Kartikasari, 2023). This condition indicates a gap between the national digital transformation agenda and the actual readiness of MSMEs to implement digital financial reporting effectively.

The digital transformation process among Sharia MSMEs presents additional challenges because financial management practices are not only oriented toward efficiency but must also comply with Islamic principles, including transparency, accountability, justice, and the prohibition of *riba* and *gharar* (Agustin & Ibrahim, 2024; Tubastuvi & Rusydiana, 2024). Therefore, Sharia MSME owners require both technological capabilities and an adequate understanding of Islamic financial principles. Digital Accounting Literacy (DAL) and Islamic Financial Literacy (IFL) become important factors in supporting readiness to adopt digital financial reporting systems. Digital accounting literacy refers to the ability of business actors to understand, utilize, and manage technology-based accounting systems for financial recording, reporting, and decision-making processes (Al-Hattami, 2025). Previous studies have shown that digital literacy improves financial reporting quality, operational efficiency, and MSME performance (Apriyanti & Yuvitasari, 2021; Martina et al., 2024). Meanwhile, Islamic financial literacy reflects individuals' understanding of Islamic financial concepts, including halal transactions, profit-sharing mechanisms, transparency, and the avoidance of *riba*-based practices (Antara et al., 2016). Higher Islamic financial literacy has been associated with improved financial decision-making and sustainable Sharia business practices (Saifurrahman & Kassim, 2021; Rohayati, 2022).

Although literacy competencies are important, they do not always directly translate into digital adoption readiness, as MSME owners may still face technological anxiety, low confidence, and adaptation barriers despite having adequate technological and financial knowledge (Alamin et al., 2020). Based on Social Cognitive Theory, Self-Efficacy (SE) reflects individuals' belief in their capability to perform tasks and overcome challenges (Bandura, 1997). In the context of digital financial reporting adoption, higher self-efficacy increases confidence, persistence, and willingness to utilize digital technologies, enabling business actors to adapt more effectively to digital environments (Arifin et al., 2023). However, prior studies by Devi et al. (2023) and Albort-Morant et al. (2025) on MSME digital transformation have mainly emphasized technical and organizational aspects, while the psychological mechanisms underlying readiness to adopt digital financial reporting remain underexplored, particularly within Sharia MSMEs.

Sharia MSMEs in North Sumatra provide a relevant empirical context because the region demonstrates growth in the Islamic economic sector while still facing challenges related to digital infrastructure, technological capability, and psychological readiness among business actors. In addition, technology adoption decisions within Sharia-oriented businesses are influenced not only by economic considerations but also by religious values and ethical principles. Therefore, this study aims to examine the effects of digital accounting literacy and Islamic financial literacy on readiness to adopt digital financial reporting with self-efficacy as a mediating variable among Sharia MSMEs in North Sumatra, Indonesia.

This study contributes theoretically by extending the Technology Acceptance Model (TAM) and Social Cognitive Theory through an integrated perspective combining technological literacy, Islamic financial values, and psychological readiness in digital adoption behavior. The findings provide insights for governments, Islamic financial institutions, and MSME development agencies in designing digital capability programs

and Sharia-oriented transformation strategies to accelerate digital financial reporting adoption among Sharia MSMEs.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

The Effect of Digital Accounting Literacy

According to the Technology Acceptance Model (TAM), individuals with higher technological understanding tend to perceive digital systems as more useful and easier to use, thereby increasing technology adoption intentions (Davis, 1989). In Sharia MSMEs, Digital Accounting Literacy (DAL) refers to the ability of business actors to understand, utilize, and manage digital accounting systems for financial recording, reporting, and decision-making processes (Pan & Seow, 2016; Yigitbasioglu, 2020; Al-Hattami, 2025). This competency includes operating digital accounting applications, managing electronic financial information, and utilizing digital reporting systems to enhance efficiency and competitiveness. Previous studies by Almaiah et al. (2020), Apriyanti and Yuvitasari (2021), and Martina et al. (2024) found that digital literacy positively affects financial management quality, operational efficiency, and technology adoption readiness among MSMEs. However, technological literacy alone may not guarantee successful digital transformation because MSMEs still face organizational, infrastructural, and technological adaptation challenges (Nguyen et al., 2025; Alhumoudi, 2025).

Digital accounting literacy is also expected to strengthen self-efficacy among MSME owners. According to Social Cognitive Theory, successful experiences in mastering specific systems enhance individuals' confidence in performing related tasks (Bandura, 1997). Previous studies by Alamin et al. (2020) and Arifin et al. (2023) confirm that digital literacy development and technology training improve MSME owners' self-efficacy in using digital financial technologies. Moreover, accounting technology competencies contribute to users' confidence in operating digital systems and adapting to technological changes (Al-Hattami, 2025). Therefore, higher digital accounting literacy is expected to increase MSME owners' confidence and readiness to adopt digital financial reporting systems.

H1: Digital accounting literacy has a significant and positive influence on readiness to adopt digital financial reporting.

H2: Digital accounting literacy has a significant and positive influence on self-efficacy.

The Effect of Islamic Financial Literacy

According to the Technology Acceptance Model (TAM) by Davis (1989), technology adoption is influenced by individuals' perceptions of usefulness, ease of use, and compatibility between technology and personal values. In the context of Sharia MSMEs, Islamic Financial Literacy (IFL) refers to the ability of business actors to understand and implement Islamic financial principles in economic activities, including halal transactions, profit-sharing systems, transparency, accountability, and the prohibition of *riba*, *gharar*, and *maysir* (Antara et al., 2016). Therefore, financial reporting systems in Sharia MSMEs are not only viewed as administrative tools but also as mechanisms for maintaining ethical and Sharia-based accountability.

Previous studies have demonstrated that Islamic financial literacy positively influences financial management behavior and readiness to utilize Sharia-based digital financial services (Saifurrahman & Kassim, 2021; Rohayati, 2022; Dewi et al., 2025). Furthermore, a stronger understanding of Islamic financial principles increases trust in Sharia-compliant digital financial systems and strengthens technology adoption readiness among Muslim business communities (Masrizal et al., 2024). However, religious considerations may also create caution toward technological innovation when digital systems are perceived as inconsistent with Islamic values or lack transparency and security (Albort-Morant et al., 2025).

From the perspective of Social Cognitive Theory by Bandura (1997), individuals with sufficient knowledge and positive cognitive evaluations are more likely to develop

stronger confidence in performing technology-related tasks. Islamic financial literacy not only improves financial understanding but also strengthens self-efficacy by increasing MSME owners' confidence that digital financial reporting systems can support business activities without violating Sharia principles. Previous studies found that Islamic financial literacy enhances financial decision-making quality and confidence in managing Sharia-oriented businesses (Srisusilawati et al., 2021). Recent evidence by Masrizal et al. (2024) and Widagdo et al. (2026) also indicates that Islamic financial literacy improves financial self-efficacy and readiness to adopt Sharia-based digital financial services, while the integration of Islamic financial understanding and digital financial inclusion strengthens perceived capability in utilizing digital technologies. However, financial knowledge alone may not fully ensure technological confidence because MSMEs still face digital anxiety, limited exposure, and insufficient support.

H3: Islamic financial literacy has a significant and positive influence on readiness to adopt digital financial reporting.

H4: Islamic financial literacy has a significant and positive influence on self-efficacy.

The Influence of Self-Efficacy on Readiness to Adopt Digital Financial Reporting

According to Social Cognitive Theory, individuals' perceived capability to organize and execute actions significantly influences their behavior, motivation, and persistence in facing challenges (Bandura, 1997). In the context of MSME digital transformation, Self-Efficacy (SE) refers to business actors' belief in their ability to manage technological challenges and effectively utilize digital financial reporting systems. MSME owners with higher self-efficacy are more likely to demonstrate adaptability, confidence, and persistence in learning digital applications, overcoming technical difficulties, and responding to technology-driven business changes.

Self-efficacy plays an important role in shaping behavioral readiness because individuals who believe in their technological capabilities tend to show stronger motivation and continuous engagement in adopting new systems. Conversely, lower self-efficacy may lead to technological anxiety, uncertainty, and resistance toward digital transformation. Previous studies by Alamin et al. (2020) and Arifin et al. (2023) have demonstrated that self-efficacy significantly influences technology adoption behavior and accounting information system utilization among MSMEs. Recent evidence by Handayati and Rochayatun (2024) also confirms that digital self-efficacy contributes positively to digital transformation readiness and the successful implementation of financial technologies among MSMEs. Furthermore, users' perceived competence in operating digital systems is identified as an important determinant of digital accounting system adoption readiness, while technological resilience and adaptability influence MSME readiness in adopting digital work systems (Nguyen et al., 2025; Susanty et al., 2025).

A study by Abidin et al. (2025) shows that self-efficacy influences technology adoption, accounting system utilization, and digital readiness among MSMEs by reducing resistance and increasing confidence in using digital systems. Therefore, psychological readiness becomes essential alongside technical competencies, particularly for Sharia MSMEs where digital financial systems must align with Islamic values. Hence, self-efficacy is expected to strengthen readiness to adopt digital financial reporting systems.

H5: Self-efficacy has a positive influence on readiness to adopt digital financial reporting.

The Mediating Effect of Self-Efficacy

The relationship between literacy competencies and digital technology adoption readiness does not always occur directly because business actors with high levels of knowledge may still hesitate to adopt digital systems if they lack confidence in their technological capabilities. Therefore, self-efficacy functions as an important psychological mechanism that connects literacy competencies with technology adoption behavior.

From the perspective of Social Cognitive Theory, knowledge, experience, and environmental interactions contribute to the development of self-efficacy, which subsequently influences individuals' behavioral decisions and technology utilization (Bandura, 1997).

Previous studies have shown that self-efficacy plays a mediating role in the relationship between digital literacy and technology adoption among MSMEs (Julito et al., 2021; Arifin et al., 2023). Furthermore, digital self-efficacy strengthens the influence of digital literacy on MSME digital transformation readiness by increasing individuals' confidence in utilizing digital technologies (Nguyen et al., 2025). Similarly, technological literacy competencies become more effective in encouraging digital adoption readiness when business actors possess stronger confidence and adaptive capabilities in managing digital systems (Susanty et al., 2025).

In the context of Sharia MSMEs, literacy competencies are also related to psychological readiness in adopting digital financial technologies. Islamic Financial Literacy contributes to strengthening MSME owners' Self-Efficacy in utilizing Sharia-based digital financial systems sustainably (Widagdo et al., 2026). Moreover, Islamic financial literacy improves digital readiness through enhanced psychological assurance and technology-based financial decision-making capabilities (Masrizal et al., 2024). Therefore, digital accounting literacy and Islamic financial literacy are expected to enhance readiness to adopt digital financial reporting through the mediating role of self-efficacy, as business actors with stronger confidence are more capable of adapting to technological transformation and utilizing digital reporting systems effectively.

H6: Self-efficacy mediates the effect of digital accounting literacy on readiness to adopt digital financial reporting.

H7: Self-efficacy mediates the effect of Islamic financial literacy on readiness to adopt digital financial reporting.

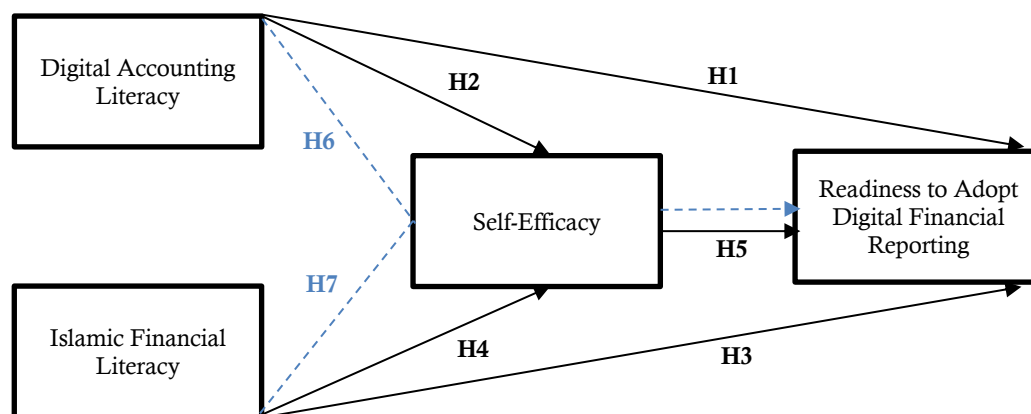


Figure 1. Research Framework

Figure 1 illustrates the research framework examining the relationships among digital accounting literacy, Islamic financial literacy, self-efficacy, and readiness to adopt digital financial reporting in Sharia MSMEs. The framework proposes that digital accounting literacy and Islamic financial literacy directly influence readiness to adopt digital financial reporting through H1 and H3, while digital accounting literacy and Islamic financial literacy also affect Self-efficacy through H2 and H4. Furthermore, self-efficacy is hypothesized to positively influence readiness to adopt digital financial reporting (H5). The model additionally positions self-efficacy as a mediating variable in the relationship between digital accounting literacy and readiness to adopt digital financial reporting (H6) as well as between Islamic financial literacy and readiness to adopt digital financial reporting (H7). The framework integrates the Technology Acceptance Model (TAM) and Social Cognitive Theory to explain that both literacy competencies and psychological

confidence are important determinants of digital financial reporting adoption readiness among Sharia MSMEs.

RESEARCH METHODS

This study employed a quantitative approach with an explanatory research design to examine the relationships among Digital Accounting Literacy (DAL), Islamic Financial Literacy (IFL), Self-Efficacy (SE), and Readiness to Adopt Digital Financial Reporting (RADFR) among Sharia MSMEs. A quantitative approach was selected because it enables objective measurement and statistical examination of causal relationships between variables based on empirical data (Sugiyono, 2016). The Structural Equation Modeling-Partial Least Squares (SEM-PLS) method was applied because it is suitable for analyzing complex models involving latent constructs, direct and indirect effects, predictive-oriented research, and moderate sample sizes (Hair et al., 2021).

The population of this study consisted of Sharia MSME owners operating in North Sumatra Province, Indonesia. Based on data from the North Sumatra Province in 2024, the number of MSMEs reached 1,166,918 business units, with approximately 22,999 MSMEs having obtained halal certification. Due to the large and geographically dispersed population, this study applied a non-probability sampling technique using purposive sampling. The selected respondents met the criteria of: operating Sharia-based MSMEs, utilizing digital technologies in business operations or financial activities, and possessing basic financial management knowledge. Data were collected through an online questionnaire distributed via MSME communities, Islamic cooperatives, social media platforms, and business assistance institutions. A total of 187 valid responses were obtained and analyzed.

The research instrument used a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The questionnaire items were adapted from previous validated studies to ensure measurement consistency and construct reliability. Digital accounting literacy was measured through four dimensions: Digital Accounting Knowledge (DAK), System Usage Skills (SUS), Benefits of Digital Reporting (BDR), and Digital Education Experience (DED), consisting of 11 indicators. Islamic financial literacy was measured using three dimensions: Knowledge of Sharia Principles (KSP), Sharia Reporting Obligations (SRO), and Sharia Transparency (ST), with 9 indicators. Self-efficacy was assessed through Confidence in Digital Skills (CDS), Problem Solving Ability (PSA), Learning Readiness (LR), Persistence (PE), and Influence Over Outcome (IOO), consisting of 11 indicators. Meanwhile, readiness to adopt digital financial reporting was measured through Personal Readiness (PR), Perception of Benefits (PB), Implementation Intention (II), and Infrastructure Readiness (IR), with 14 indicators.

Data analysis was conducted using SmartPLS 4.0 through SEM-PLS procedures. The measurement model (outer model) was evaluated through convergent validity, discriminant validity, and reliability testing using outer loading, AVE, Fornell-Larcker criterion, HTMT, Composite Reliability, and Cronbach's Alpha. The structural model (inner model) was assessed using R-Square, Q-Square, F-Square, and SRMR values. Hypothesis testing was performed using bootstrapping analysis based on path coefficients, t-statistics, and p-values. The mediating role of self-efficacy was examined through indirect effect analysis to identify its contribution to digital financial reporting adoption readiness among Sharia MSMEs.

RESULTS

This study involved 187 Sharia MSME owners in North Sumatra Province who were considered eligible as research respondents from a total of 393 questionnaires distributed online, resulting in a response rate of 47.6%. The demographic characteristics of the respondents are presented in Table 1.

Table 1. Respondent Characteristics

Characteristics	Category	Frequency	Percentage
Gender	Male	111	59.40%
	Female	76	40.60%
Age	< 25 years	26	13.90%
	25-35 years	58	31.00%
	36-45 years	68	36.40%
	> 45 years	35	18.70%
Monthly Income	IDR 1,000,000- IDR 3,000,000	22	11.80%
	IDR 3,000,000- IDR 5,000,000	98	52.40%
	> IDR 5,000,000	67	35.80%

Based on Table 1, most respondents were male, aged 36–45 years, and earned a monthly business income of IDR 3,000,000–5,000,000. This profile indicates that the respondents were active and experienced Sharia MSME owners with relatively stable business operations and exposure to digital technologies. Their demographic characteristics suggest a higher potential readiness to adopt digital financial reporting systems, reflecting the growing digital adaptability of MSMEs in the Sharia business sector.

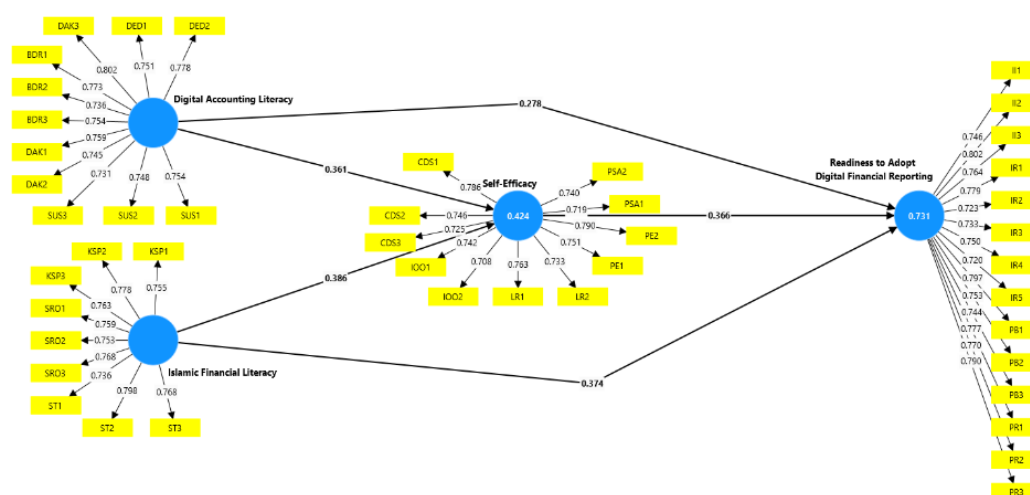


Figure 2. Outer Loading Model

As shown in Figure 2, convergent validity was assessed using outer loading and Average Variance Extracted (AVE) values. The SmartPLS 4.0 results indicate that all indicators achieved outer loadings above the recommended threshold of 0.70, ranging from 0.708 (IOO2) to 0.802 (DAK3). These results confirm that all indicators adequately represent their respective latent constructs and satisfy the convergent validity criteria.

Table 2. Validity and Reliability Test

Variable	Indicator	Outer Loading	AVE	Cronbach's Alpha	Composite Reliability
Digital Accounting Literacy	BDR1 - SUS3	0.731 - 0.802	0.574	0.926	0.937
Islamic Financial Literacy	KSP1 - ST3	0.736 - 0.798	0.584	0.911	0.927
Self-Efficacy	CDS1 - PSA2	0.708 - 0.790	0.557	0.92	0.932
Readiness to Adopt Digital Financial Reporting	I11 - PR3	0.720 - 0.802	0.579	0.944	0.951

As presented in Table 2, all constructs achieved AVE values above the recommended threshold of 0.50, ranging from 0.557 to 0.584, confirming satisfactory convergent validity. Furthermore, reliability testing showed that all constructs exceeded the minimum criteria of 0.70 for both Cronbach's Alpha and Composite Reliability. The readiness to adopt digital financial reporting construct exhibited the highest Composite

Reliability (0.951) and Cronbach's Alpha (0.944), followed by digital accounting literacy with values of 0.937 and 0.926, respectively. These results indicate that all constructs demonstrate strong internal consistency, measurement stability, and suitability for subsequent structural model analysis.

Table 3. Fornell-Larcker Criterion

Variable	DAL	IFL	RADFR	SE
Digital Accounting Literacy (DAL)	-0.758			
Islamic Financial Literacy (IFL)	0.52	-0.764		
Readiness to Adopt Digital Financial Reporting (RADFR)	0.678	0.729	-0.761	
Self-Efficacy (SE)	0.562	0.574	0.737	-0.746

As presented in Table 3, discriminant validity was assessed using the Fornell-Larcker criterion and the HTMT ratio. The results show that the square root of AVE for each construct exceeded its correlations with other constructs, while all HTMT values remained below the recommended threshold of 0.90. These findings confirm satisfactory discriminant validity, indicating that each construct is empirically distinct and adequately captures different dimensions of digital accounting literacy, Islamic financial literacy, self-efficacy, and readiness to adopt digital financial reporting among Sharia MSMEs.

Table 4. R-Square and Q-Square Results

Variable	Q ²	R-Square	Interpretation
Readiness to Adopt Digital Financial Reporting	0.418	0.731	Strong
Self-Efficacy	0.230	0.424	Moderate

As presented in Table 4, the readiness to adopt digital financial reporting construct achieved an R² value of 0.731, indicating that digital accounting literacy, Islamic financial literacy, and self-efficacy explain 73.1% of its variance. Meanwhile, self-efficacy obtained an R² value of 0.424, showing that digital accounting literacy and Islamic financial literacy explain 42.4% of its variance. The predictive relevance assessment further revealed Q² values of 0.418 for readiness to adopt digital financial reporting and 0.230 for SE. Following the criteria proposed by Hair et al. (2021), the positive Q² values confirm that the model possesses satisfactory explanatory power and predictive relevance for both endogenous constructs.

Table 5. F-Square and Goodness of Fit Results

Relationship/Indicator	Value	Effect Size
Digital Accounting Literacy → Readiness to Adopt Digital Financial Reporting	0.179	Medium
Digital Accounting Literacy → Self-Efficacy	0.165	
Islamic Financial Literacy → Readiness to Adopt Digital Financial Reporting	0.319	
Islamic Financial Literacy → Self-Efficacy	0.189	
Self-Efficacy → Readiness to Adopt Digital Financial Reporting	0.286	
Standardized Root Mean Square Residual	0.047	-

As presented in Table 5, the F-Square (F²) analysis was conducted to assess the effect size of each exogenous construct on the endogenous constructs. The results indicate that all relationships demonstrated medium effect sizes, with the strongest effect found in the relationship between Islamic financial literacy and readiness to adopt digital financial reporting, with an F² value of 0.319. These findings indicate that literacy competencies and psychological readiness contribute meaningfully to explaining digital financial reporting adoption readiness among Sharia MSMEs. Furthermore, the model fit evaluation showed an SRMR value of 0.047, which is below the recommended threshold of 0.08 (Hair et al., 2021). This result confirms that the proposed research model demonstrates an acceptable fit and adequately represents the relationships among digital

accounting literacy, Islamic financial literacy, self-efficacy, and readiness to adopt digital financial reporting.

Hypothesis testing was conducted using the bootstrapping procedure in SmartPLS version 4.0 by examining the path coefficient, t-statistics, and p-values. The results indicate that all hypothesized relationships achieved t-statistic values greater than 1.96 and p-values below 0.05, indicating that all proposed hypotheses were supported.

Table 6. Direct Effect Results

Hypothesis	Path Coefficient	t-statistics	p-values	Decision
Digital Accounting Literacy → Readiness to Adopt Digital Financial Reporting	0.278	2.691	0.007	
Digital Accounting Literacy → Self-Efficacy	0.361	3.257	0.001	
Islamic Financial Literacy → Readiness to Adopt Digital Financial Reporting	0.374	3.415	0.001	Accepted
Islamic Financial Literacy → Self-Efficacy	0.386	3.578	0.000	
Self-Efficacy → Readiness to Adopt Digital Financial Reporting	0.366	3.051	0.002	

Based on Table 6, the findings reveal that Islamic financial literacy exerts the strongest direct influence on readiness to adopt digital financial reporting, with a path coefficient value of 0.374. In addition, self-efficacy demonstrates a positive and significant effect on readiness to adopt digital financial reporting, with a path coefficient value of 0.366. These results indicate that both Islamic financial understanding and psychological readiness play substantial roles in supporting the digital transformation of Sharia MSMEs.

Furthermore, the significant influence of digital accounting literacy on both self-efficacy and digital financial reporting readiness suggests that technological accounting competencies contribute not only to improving technical capability but also to strengthening business actors' confidence in utilizing digital financial systems. The results support the integration of the TAM and Social Cognitive Theory in explaining digital financial reporting adoption behavior among Sharia MSMEs.

Table 7. Mediation Test Results

Indirect Effect	Path Coefficient	t-statistics	p-values	Decision
Digital Accounting Literacy → Self-Efficacy → Readiness to Adopt Digital Financial Reporting	0.132	2.078	0.038	Accepted
Islamic Financial Literacy → Self-Efficacy → Readiness to Adopt Digital Financial Reporting	0.141	1.995	0.047	

Table 7 shows that improvements in digital accounting literacy and Islamic financial literacy not only directly enhance readiness to adopt digital financial reporting but also indirectly strengthen digital readiness through the enhancement of business actors' confidence in utilizing digital technologies. Therefore, self-efficacy functions as a critical psychological mechanism that facilitates the digital transformation process among Sharia MSMEs. The mediation results further suggest that literacy competencies alone may not be sufficient to encourage sustainable digital adoption behavior unless accompanied by adequate psychological readiness. Consequently, strengthening MSME owners' self-efficacy becomes strategically important in accelerating the successful implementation of digital financial reporting systems within Sharia-oriented business environments.

DISCUSSION

The findings indicate that digital accounting literacy has a positive and significant effect on readiness to adopt digital financial reporting among Sharia MSMEs in North Sumatra. This result shows that MSME owners with stronger capabilities in understanding and utilizing digital accounting technologies tend to demonstrate higher readiness to implement digital financial reporting systems. The ability to operate

accounting applications, manage electronic financial data, and utilize digital reporting platforms supports more efficient, accurate, and transparent financial management practices. These findings are consistent with the Technology Acceptance Model (TAM), which explains that technological understanding and perceived ease of use increase individuals' willingness to accept new technologies (Davis, 1989). The result also supports previous studies by Juniardi and Putra (2024) and Hatta et al. (2025), showing that digital accounting competencies improve accounting system effectiveness and technological readiness. Furthermore, Al-Hattami (2025) confirmed that digital accounting literacy strengthens innovation capability and technological readiness, while Antoni et al. (2024) found that digital capability contributes to MSME operational efficiency and financial management quality. In the context of Sharia MSMEs, these findings indicate that digital accounting literacy is not only a technical capability but also a strategic factor supporting transparent and accountable financial reporting aligned with Islamic values.

The results further demonstrate that digital accounting literacy significantly influences self-efficacy. This finding indicates that higher digital accounting competence strengthens MSME owners' confidence in utilizing digital financial systems. This supports Social Cognitive Theory, which states that individuals' mastery experiences and capabilities contribute to stronger self-belief (Bandura, 1997). The findings are consistent with Arifin et al. (2023), who found that digital competencies improve self-efficacy and digital transformation readiness among MSMEs, and Alamin et al. (2020), who emphasized that self-efficacy encourages technology acceptance and reduces technical barriers.

Similarly, Islamic financial literacy was found to positively influence readiness to adopt digital financial reporting and self-efficacy. MSME owners with a stronger understanding of halal transactions, Sharia accountability, and Islamic financial principles are more prepared to adopt digital financial reporting systems because these technologies are perceived as compatible with their business values. These results support Bin-Nashwan et al. (2023), Andespa et al. (2024), and Albort-Morant et al. (2025), who highlighted the importance of Islamic financial understanding and religiosity in shaping Sharia-based financial technology acceptance. Moreover, the positive effect of Islamic financial literacy on self-efficacy confirms that Islamic financial understanding strengthens psychological confidence in utilizing digital financial systems, consistent with Islam and Khan (2024) and Mantik et al. (2024).

The study also confirms that self-efficacy significantly affects readiness to adopt digital financial reporting. This finding demonstrates that MSME owners' confidence in their ability to operate digital technologies is a key determinant of digital transformation readiness. Business actors with stronger self-efficacy are more capable of learning new systems, overcoming technological difficulties, and adapting to digital financial processes. This result supports Restrepo-Morales et al. (2024), who identified psychological capability as an important factor in MSME digital readiness, and Gupta et al. (2022), who emphasized the role of self-efficacy in sustaining technology utilization. Furthermore, the mediation analysis reveals that self-efficacy significantly mediates the relationships between digital accounting literacy, Islamic financial literacy, and readiness to adopt digital financial reporting. This indicates that literacy competencies become more effective in promoting digital adoption when accompanied by sufficient confidence and psychological readiness. These findings reinforce previous evidence from Arifin et al. (2023) and Islam and Khan (2024), which highlights the mediating role of self-efficacy in digital transformation behavior.

The findings imply that digital transformation among Sharia MSMEs requires more than technological access and literacy improvement. Strengthening digital accounting literacy and Islamic financial literacy should be accompanied by programs that enhance self-efficacy through practical training, technology mentoring, and continuous digital education. Such strategies may help MSME owners develop both technical competence and psychological readiness, enabling sustainable adoption of digital financial reporting systems while maintaining alignment with Sharia principles.

CONCLUSION

This study concludes that digital accounting literacy and Islamic financial literacy significantly influence readiness to adopt digital financial reporting among Sharia MSMEs. These findings indicate that technological understanding and Islamic financial knowledge are essential factors in supporting MSME digital transformation. Furthermore, digital accounting literacy and Islamic financial literacy were found to positively influence self-efficacy, demonstrating that literacy competencies strengthen MSME owners' confidence in utilizing digital technologies, overcoming technical challenges, and adapting to digital work environments. Self-efficacy also significantly affects readiness to adopt digital financial reporting and mediates the relationship between literacy competencies and digital financial reporting readiness. This indicates that literacy competencies become more effective in encouraging digital adoption when accompanied by sufficient psychological readiness and confidence.

This study contributes to the development of the Technology Acceptance Model (TAM) and Social Cognitive Theory by highlighting the interaction between technological literacy, Islamic financial values, and psychological factors in explaining digital technology adoption behavior among Sharia MSMEs. The findings suggest that governments, Islamic financial institutions, MSME development agencies, and digital platform providers should strengthen digital accounting literacy and Islamic financial literacy programs through continuous training, technology mentoring, and digital education initiatives to improve MSME readiness for digital financial reporting adoption.

This study is limited by the sample scope, which only involved Sharia MSMEs in North Sumatra, limiting broader generalization. In addition, the quantitative approach may not fully capture deeper behavioral and organizational factors affecting digital readiness. Future studies are encouraged to expand geographical coverage, increase sample size, apply mixed-method approaches, and include additional variables such as organizational culture, innovation capability, technological readiness, and institutional support to provide a more comprehensive understanding of sustainable digital transformation among Sharia MSMEs.

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