User Resistance: Reasons MSME Actors Are Hesitant to Prepare Financial Reports in Siak Regency

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Abstract. The study aims to investigate the impact of perceived value, switching cost, switching benefits, and self-efficacy for change on user resistance in preparing financial reports in MSMEs. The hypothesis was tested empirically with a sample of 63 MSME actors from Siak Regency, Riau Province. This study uses structural equation modeling with WarpPLS 7.0 as a test tool. The study's findings suggest that MSME actors may be resistant to preparing financial statements because they are worried about the expenses they will spend and forfeit if they do so. They believe that if they adopt new procedures and guidelines, all their earlier work will have been in useless. Furthermore, the study's findings demonstrate that while MSME actors exhibit strong self-confidence in adapting to change when it is viewed to have a good effect, resistance will persist if the costs and sacrifices associated with adjusting to new circumstances are as substantial. This study contributes by providing empirical data on the elements that lead to user resistance when creating financial reports. Practically, this study shows that it is important for the government and policymakers to pay attention to the factors that cause MSMEs to refuse to prepare financial reports so that these factors can be mitigated, and the objectives of financial reporting can be achieved.

Keywords: ***User Resistance On Financial Report, Switching Cost, Switching Benefits, Perceived Value, Self-Efficacy For Change***

INTRODUCTION

MSMEs are one of the main drivers of economic growth in an effort to achieve inclusive and sustainable development. Micro, Small, and Medium Entities (MSME) is now one of the fastest-developing business entities in the business and industrial worlds [2]. MSMEs play an important role in supporting economic growth, providing jobs, encouraging innovation, and also helping to build a conducive work environment and sustainable economic development [10]. However, MSMEs still have problems in their operations. One of them is the limitations and reluctance of MSMEs in preparing their business financial reports. Financial reports are reports that contain information about the company's financial position, including profit/loss, assets, debts, capital, and other financial information that shows the company's financial condition in a certain period. Financial reports are an important element that needs to be considered in making business decisions. For MSMEs, the existence of financial reports is no less important in supporting their business operations.

The purpose of financial statements is to provide information on the financial position and performance of an entity that is useful to a large number of users in making economic decisions, by anyone who is not in a position to request specific financial statements to meet those information needs [12]. All business units, regardless of size, must create financial statements to oversee their operations and make informed decisions going forward. Difficulties encountered throughout the financial statement preparation process will certainly result in future operational and decision-making

issues for the organization. Even so, many MSMEs still choose not to use these financial reports for a variety of reasons, such as not knowing how to use them, not wanting to learn or adapt, or even believing they will not gain anything from using the system, even though MSME actors can prepare these financial reports for free. We call this type of behavior "user resistance". User resistance or rejection tendencies are becoming a common topic of discussion when implementing new systems. According to [9], user resistance is viewed as a negative response during system installation since it may result in the system's failure and consequent losses.

User resistance refers to the user's resistance to change or the introduction of a new system; this resistance is a weakness that can be overcome to ensure the system's successful implementation [1]. Research on user resistance reactions in system implementation has been widely conducted, but in the preparation of financial statements in MSMEs, it has not been extensively studied. Research on user resistance in Indonesia towards financial statement preparation systems is still limited, so it needs further investigation to determine the conditions that cause users to reject the implementation of the new system. The government has currently provided various efforts to encourage the preparation of financial statements for MSMEs. One of them is by creating a digital-based financial statement preparation system that can be accessed and used for free by MSMEs, such as LAMIKRO released by the Ministry of Cooperatives and Small and Medium Enterprises, and SIAPIK from Bank Indonesia. However, the existence of this application is still overlooked even though its usage is quite easy.

In its implementation, users who refuse to use the system can cause the system's implementation to be inefficient. For MSMEs that previously used traditional systems or even lacked financial record-keeping altogether, the MSME actors will feel unfamiliar with the new system being implemented. There will be a sense of fear in using it or a lack of confidence in their ability to implement the new system, leading to an increase in user resistance. Resistance to change is a significant factor that can have a direct effect on change efforts. If information is conveyed well to MSME actors regarding the process of change that occurs and how they play a role and their opinions on the change, resistance reactions may decrease [3]. Therefore, studying the factors that can trigger this resistance reaction is important in the implementation of systems or regulations, especially in the context of MSMEs that are closely related to uncertainty.

[9] have identified several factors that can cause user resistance in transitioning to a new system or condition, namely: (1) self-efficacy for change, which refers to a person's belief in their ability to adapt to new conditions [4], (2) switching benefit, which refers to the benefits perceived by users when moving from the status quo to the implementation of a new system [9], (3) switching cost, which refers to the disutility perceived by users when changing from the status quo to a new system, consisting of three components: transition costs, uncertainty costs, and sunk cost based on the status quo bias theory [15], (4) perceived value, which is usually defined as the benefits perceived by users being commensurate with the costs incurred in transitioning to a new situation. [9].

Based on the explanation above, this research aims to examine the influence of self-efficacy for change, switching benefit, switching cost, and perceived value on user resistance in financial statement preparation. This research uses a survey method with 63 MSME actors in Siak Regency, Riau Province, as participants. Data processing was conducted using Structural Equation Modeling (SEM) with WarpPLS 7.0. Siak Regency is one of the regencies in Riau Province. According to data from the Central Statistics Agency of Riau in 2021, the number of MSMEs in Siak was 2,798. This number increased from 2020, which had 2,019 MSMEs. This research has the following benefits: (i) theoretical benefits, adding to the research literacy on user resistance in the preparation of financial statements in MSMEs, thus serving as a reference for future research. (ii) empirical benefits, this research provides empirical evidence regarding the factors causing user resistance in the preparation of financial statements, which can be considered by regulators and policymakers to mitigate this level of resistance.

METHODS

DATA COLLECTING

This research is a quantitative study using a survey method with 63 MSME actors in Siak Regency as participants. The questionnaire was distributed online to participants. Data analysis in this study uses Structural Equation Modeling (SEM) with WarPLS 7.0. The determination of the sample size follows [6] with consideration of statistical power and effect size. With a maximum of 6 arrows pointing to a construct and an expected significance level of 5% with a minimum expected R-Square value of 0.5, the required sample size is approximately 48 samples.

VARIABLE MEASUREMENT

The independent variables in this study are self-efficacy for change and switching benefit. Self-efficacy for change is measured with 3 items adapted from Taylor & Todd (1995), and switching benefit is adopted from [11] with 4 items. The mediating variables in this study are perceived value and switching cost. Perceived value is measured using 3 questionnaire items adopted from [19]. Switching cost is measured using 4 questionnaire items adopted from [8]. The dependent variable in this study is user resistance in financial statement preparation. The questionnaire is adopted from [5] which contains 4 question items. For each measurement of the 1-5 Likert scale variable, the numbers are used as follows: 1: strongly disagree, 2: disagree, 3: neutral, 4: agree, 5: strongly agree.

RESEARCH PARTICIPANTS

This research was conducted in Siak Regency with 63 MSME actors as participants. The research questionnaire was distributed online to participants. The data was then processed using Structural Equation Modeling (SEM) with WarPLS 7.0. **TABLE 1** shows the characteristics of the participants in this study.

TABLE 1. Sample Demographic Chacteristic

	Information	Frequency	%	Frequency	%
Sex	Male	17		26,98%	
	Female	46	63	73,02%	100%
Age	20-30 years old	6		9,52%	
	31-40 years old	30		47,62%	
	>40 years old	27	63	42,86%	100%
Education	Junior High School	4		6,35%	
	High School	19		30,16%	
	Senior High School	35		55,56%	
	Diploma	2		3,17%	100%
	Bachelor	3	63	4,76%	
Business Type	Service Industry	3		4,76%	
	Small Industry	28		44,44%	
	Food and Beverage	32	63	50,79%	100%
Business Establishment	< 5 years	37		58,73%	
	5 - 10 years	14		22,22%	
	> 10 years	12	63	19,05%	100%

This research examines the influence of self-efficacy for change, switching cost, switching benefit, and perceived value on user resistance in financial statement preparation. This research proposes 6 (six) research hypotheses to be tested using WarpPLS 7.0. Here are the proposed research hypotheses:

H1: Self-efficacy for change has a negative effect on switching cost
H2: Switching cost has a negative effect perceived value
H3: Switching benefit has a positive effect on perceived value
H4: Perceived value has a negative effect on user resistance in the preparation of financial statement.
H5: Switching cost has a positive effect on user resistance in the preparation of financial statement.
H6: Self-efficacy for change has a negative effect on user resistance in the preparation of financial statement.

RESULTS AND DISCUSSION

MEASUREMENT MODEL

Based on Figure 1, the construct of this research consists of latent variables. Namely, perceived value, switching cost, switching benefit, self-efficacy for change, and user resistance in the preparation of financial statements. The independent variables in this study are self-efficacy for change and switching benefit, the mediating variables are perceived value and switching cost, and the dependent variable is user resistance.

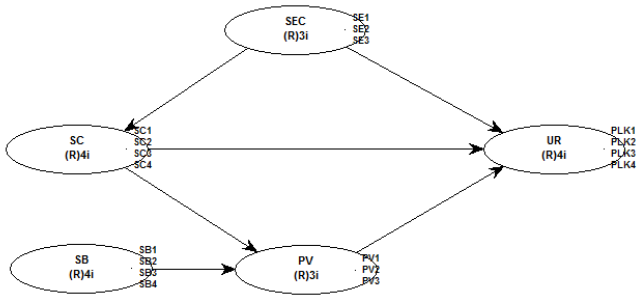

FIGURE 1. Measurement Model
Source: WarpPLS data processing output, 2024

CONVERGENT VALIDITY AND DATA RELIABILITY

Convergent validity needs to be conducted because it shows that the measures of a construct should be highly correlated. The rule of thumb that can be used to assess convergent validity is a factor loading >0.7, communality >0.5, and average variance extracted (AVE) > 0.5. [7].

TABLE 2. Combined Loading dan Cross Loading

	UR	PV	SB	SC	SEC	SE	P value
UR1	**0.988**	0.010	-0.037	-0.008	-0.001	0.090	<0.001
UR2	**0.983**	-0.001	-0.056	0.037	0.002	0.090	<0.001
UR3	**0.988**	0.011	-0.037	-0.011	0.010	0.090	<0.001
UR4	**0.930**	-0.021	0.139	-0.019	-0.012	0.092	<0.001
PV1	-0.061	**0.975**	-0.072	0.058	0.046	0.090	<0.001
PV2	0.010	**0.987**	-0.019	-0.011	0.019	0.090	<0.001
PV3	0.051	**0.977**	0.091	-0.048	-0.065	0.090	<0.001
SB1	0.068	-0.153	**0.958**	-0.069	-0.037	0.091	<0.001
SB2	-0.043	0.088	**0.982**	0.033	0.053	0.090	<0.001
SB3	0.014	0.048	**0.982**	-0.021	0.005	0.090	<0.001
SB4	-0.038	0.013	**0.978**	0.056	-0.022	0.090	<0.001
SC1	-0.046	0.254	-0.009	**0.827**	-0.138	0.095	<0.001
SC2	-0.040	-0.301	0.436	**0.875**	-0.086	0.093	<0.001
SC3	0.020	0.099	-0.293	**0.913**	0.160	0.092	<0.001
SC4	0.060	-0.041	-0.119	**0.901**	0.048	0.093	<0.001
SE1	-0.008	0.198	0.113	-0.091	**0.817**	0.095	<0.001
SE2	0.138	-0.129	-0.011	-0.055	**0.923**	0.092	<0.001
SE3	-0.131	-0.047	-0.090	0.136	**0.920**	0.092	<0.001

Source: WarpPLS data processing output, 2024

The results of the validity test show that all indicators in each construct have loadings above 0.7, indicating that the measurements of the constructs are highly correlated.

TABLE 3. Latent Variable Coefficient

	UR	PV	SB	SC	SEC
R-squared	0.353	0.553		0.077	
Composite reliability	0.986	0.986	0.987	0.932	0.918
Cronbach's alpha	0.981	0.979	0.983	0.902	0.864
Average variances extracted	0.946	0.960	0.951	0.774	0.788
Full collinearity VIFs	1.505	2.435	2.961	1.351	1.554

Source: WarpPLS data processing output, 2024

Rule of thumb composite reliability is expected to be 0.7 or higher, and AVE 0.5 or higher. [7]. The results in Table 3 show that the values of composite reliability, Cronbach's alpha, and AVE have met the requirements. Cronbach's alpha and composite reliability can be used to assess the reliability of a construct by measuring the lower bound of the reliability value of a construct, which, according to the rule of thumb, should be greater than 0.7 (>0.7). Table 3 shows that the values of Cronbach's alpha and composite reliability for each indicator of the latent variable are greater than 0.7 (>0.7), thus meeting the reliability assumption.

DISCRIMINANT VALIDITY

TABLE 4 explains that the square root of AVE (in **TABLE 4**, shown in the diagonal column and marked with parentheses) has a higher value than the correlation between latent variables found in the columns other than the diagonal column, indicating that discriminant validity has been met.

TABLE 4. Correlation among latent variables

	UR	PV	SB	SC	SEC
UR	**(0.973)**	-0.018	0.037	0.393	0.449
PV	-0.018	**(0.980)**	0.763	0.194	0.253
SB	0.037	0.763	**(0.975)**	0.330	0.405
SC	0.393	0.194	0.330	**(0.880)**	0.275
SEC	0.449	0.253	0.405	0.275	**(0.888)**

Source: WarpPLS data processing output, 2024

STRUCTURAL MODEL

Figure 2 shows the structural model of this study.

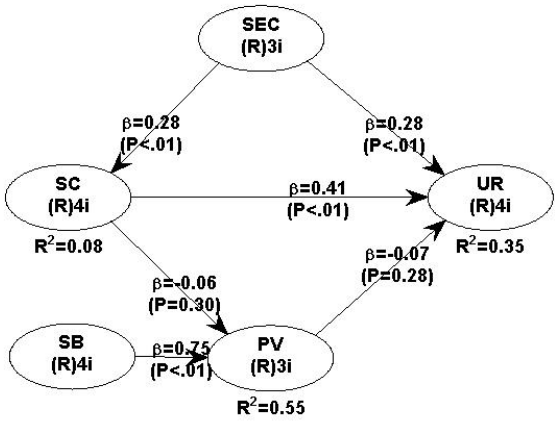

FIGURE 2. Structural Model
Source: WarpPLS data processing output, 2024

When the variance inflation factor (AVIF) value is less than five and the p-value for both APC and ARS is less than 0.05 or significant, the research model is deemed fit [18]. Table 5 demonstrates that this study model is fit and supported by the data, with substantial APC and ARS values at 0.002 and 0.001, as well as an AVIF value below 5.

TABLE 5. Indikator Model Fit dan P-Values

APC=0.308, P=0.002
ARS=0.327, P=0.001
AVIF=1.131, acceptable if <= 5, ideally <= 3.3

Source: WarpPLS data processing output, 2024

HYPOTHESIS TESTING

Table 6 shows the results of the hypothesis testing. Table 7 shows the results of the mediation testing between variables.

TABLE 6. Hypothesis Testing

Path	Path Coefficient	P Values	R-Square	Result
SEC – SC	0.28	P<0.01	0.08	H1 Rejected
SC – PV	-0.06	P=0.30	0.55	H2 Rejected
SB – PV	0.75	P<0.01***	0.55	H3 Accepted
PV – UR	-0.07	P=0.28	0.35	H4 Rejected
SC – UR	0.41	P<0.01***	0.35	H5 Accepted
SEC – UR	0.28	P<0.01	0.35	H6 Rejected

Source: WarpPLS data processing output, 2024

Note: SEC (Self-Efficacy for Change), SC (Switching Cost), PV (Perceived Value), SB (Switching Benefit), UR (User Resistance), *** p<0,01.

TABLE 7. Mediating Testing

Path	Path Coefficient	P Values	R-Square
SEC- SC – PV	-0.018	P=0.420	0.55
SEC – SC – UR	0.113	P=0.095	0.35
SC – PV – UR	0.005	P=0.478	0.35
SB- PV – UR	-0.054	P=0.095	0.35

Source: WarpPLS data processing output, 2024

Note: SEC (Self-Efficacy for Change), SC (Switching Cost), PV (Perceived Value), SB (Switching Benefit), UR (User Resistance).

From **TABLE 6**, the path coefficient for the influence of self-efficacy for change on switching cost shows a positive direction contrary to the proposed hypothesis. Although the p-value shows a value <0.01, hypothesis 1 is rejected. The second hypothesis is rejected, the p-value shows a P=0.30. Meanwhile, as predicted, switching benefit has a positive effect on perceived value with a path coefficient of 0.75 and P<0.01, thus H3 is accepted. H4 is rejected, as indicated by the path coefficient of perceived value towards user resistance of -0.07 with p=0.28. Next, the path coefficient from switching cost to user resistance shows a direction consistent with the prediction, namely 0.41 and p<0.01, indicating that H5 is accepted. Finally, although the p values show a P<0.01, the path coefficient shows a direction opposite to the prediction of 0.28, indicating that H6 is rejected. Furthermore, the indirect effect testing on perceived value and user resistance shows no mediating effect on each variable as shown in **TABLE 7**.

DISCUSSION

The test results show that the benefits perceived by MSME actors when transitioning to a new condition will increase the perceived value of that condition; however, this is not strong enough to mitigate its impact on resistance in financial reporting. This may be caused by the uncertainty of costs and sunk costs that occur in the future, making

MSME actors reluctant to transition to the new condition of preparing financial statements. In line with the test results showing that switching costs have a positive influence on user resistance in financial statement preparation. This supports the researchers' prediction that in preparing financial statements, MSME actors consider the costs that will arise from such actions. Switching costs consist of three components, namely transition costs, uncertainty costs, and sunk costs according to the status quo bias theory [15]. These three cost components are considerations for MSME actors in preparing financial statements. The existence of costs arising from relocation, uncertainty of costs after the preparation of financial statements, sunk costs, and the impact that will be caused in the future are the main factors that discourage MSME actors from preparing financial statements, even though the process and method have been simplified with the availability of applications that can be accessed for free.

The research results also show that although the confidence level of MSME actors in preparing financial reports is high and the perceived benefits are comparable, if the costs to be incurred are also high, the level of resistance will remain high. Therefore, this condition of uncertainty must be a serious concern to mitigate resistance behavior in the preparation of financial statements. The uncertainty of future costs can also be linked to the fear of tax levies by MSME actors when preparing financial statements. Currently, many MSME actors have not registered their businesses due to fear of tax deductions against them [17]. The use of applications like LAMIKRO and SIAPIK provided by the government can increase the concerns of MSME actors. That if they prepare financial statements using that application, they will be asked to pay taxes. Tax in this case can be referred to as the uncertainty cost in the future that will occur if the financial statements are prepared.

Taxes are one of the mandatory state contributions that must be paid by MSMEs at a rate of 0.5% of their business turnover. This amount is still not widely known by MSME actors. In June 2018, Government Regulation No. 23 of 2018 was issued, providing ease for business actors engaged in the MSME sector to use a final income tax rate of 0.5 percent of business turnover. This regulation replaces the previous regulation, namely Government Regulation No. 46 of 2013, which required MSMEs to pay a tax of 1 percent of business turnover [16]. This tax rate reduction is intended so that MSMEs can contribute to the sustainability of the national economy. Therefore, this relationship becomes important and must be a concern for regulators and policymakers in the future. That socialization regarding tax rates is needed for MSME actors so that their compliance in paying taxes can increase. Next, the concern over future uncertainty costs will decrease, thereby mitigating the level of resistance in financial statement preparation.

CONCLUSIONS

This study aims to examine the influence of self-efficacy for change, switching benefit, switching cost, and perceived value on user resistance in financial statement preparation. The research results indicate that switching benefit has a positive effect on perceived value, but perceived value does not affect user resistance. This shows that although the benefits perceived by MSME actors when switching to a new condition will increase the perceived value of that condition, it is not strong enough to mitigate its impact on resistance in financial statement preparation. Next, switching costs have a positive effect on user resistance in the preparation of financial statements. This shows that the consideration of risks and costs remains a major factor in the resistance of MSME actors to transition to new conditions, especially in financial reporting. This research has several contributions, namely (i) theoretical contribution, adding to the research literacy on user resistance in the preparation of financial statements in SMEs, thus serving as a reference for future research. (ii) empirical contribution, this research provides empirical evidence regarding the factors causing user resistance in the preparation of financial statements, which can be considered by regulators and policymakers so that this level of resistance can be mitigated.

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