

The Application of Inclusive Accounting to Improve Access to Financial Information for Retail Investors

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Abstract

The significant growth in the number of retail investors in Indonesia's capital market in recent years indicates increased public participation in investment activities. However, the reality on the ground shows that retail investors still face barriers in understanding and accessing relevant financial information. Financial reports prepared with technical terms and complex formats tend to only be optimally utilized by institutional investors, resulting in information gaps that have an impact on inequality in investment decision making. This study aims to analyze the needs and challenges of retail investors in understanding financial information and explore the urgency of implementing inclusive accounting as a solution. The research uses a qualitative approach with a case study method, involving in-depth interviews with a number of active retail investors in the capital market. The research shows that retail investors have difficulty in understanding financial terminology such as EBITDA, liabilities and operating cash flows. In addition, access to official, real-time financial information is limited, with most informants relying on social media or securities apps as their main source of information. The informants expressed a preference for visual, summarized and narrative presentation of information that is easier to understand. The conclusion of this study suggests that inclusive accounting can be a strategic approach to bridge the financial literacy gap between market participants. It is expected that the implementation of inclusive accounting by companies and the support of regulators can improve information disclosure, expand access, and strengthen retail investor participation in the Indonesian capital market.

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1. Introduction

In the investment world, financial information disclosure is a crucial element that affects the quality of decision making by investors (Yang, 2024). Transparent, relevant and easily accessible information is the main basis for assessing the performance and prospects of a business entity. In recent years, the number of retail investors in the Indonesian capital market has increased significantly. Data from PT Kustodian Sentral Efek Indonesia (KSEI) noted that the number of Single Investor Identification (SID) in the Indonesian capital market grew 22% from 12.17 million at the end of December 2023 to 14.84 million on December 27, 2024 (KSEI, 2024). Specifically for stock investors, there was an increase of 1 million SID compared to the end of 2023, to 6.37 million SID by the end of 2024 (Heriyanto & Salim, 2024). However, optimal utilization of financial information is still dominated by institutional investors who generally have stronger access, resources and analytical capabilities. In contrast, retail investors often face obstacles in accessing and understanding financial statements that are prepared in technical and complex formats, potentially creating information gaps that can affect the quality of their investment decisions.



While the number of retail investors in the capital market continues to increase, there are still significant challenges that hinder their effectiveness in accessing and utilizing financial information. One of the main problems is the poor understanding of financial statements, which are generally prepared using technical terms and complex accounting language (Pizzi et al., 2022). This makes it difficult for retail investors to interpret information that should be the basis for making investment decisions. In addition, the lack of presentation of information in a user-friendly, inclusive and easily accessible format exacerbates the understanding gap between retail investors and other market participants (Aggrawal & Pandey, 2025). This condition contributes to the emergence of information asymmetry, where parties with better access and understanding such as institutional investors have an advantage in obtaining and processing financial data (Tarighi et al., 2022). This imbalance not only hinders more active and informed retail participation, but also has the potential to create inequities in the overall market structure.

Inclusive accounting is a new approach to financial reporting practices that emphasizes the importance of diverse users of accounting information (Durocher & Fortin, 2021). This approach not only focuses on meeting technical accounting standards, but also considers the needs of non-professional users, such as retail investors, MSME players, and the general public who do not have an accounting or finance background. In this context, inclusive accounting prioritizes the presentation of information that is simpler, more relevant, and easier to understand, without compromising the integrity and accuracy of the data presented (Wedderburn-Bisshop, 2024). The main objective of inclusive accounting is to bridge the information gap between groups with high financial literacy capacity and those with limited, so as to create equity in the economic decision-making process (Kusumah, 2022). In other words, inclusive accounting is a strategic tool to support the active involvement of all levels of society in economic activity and capital markets more equally (Amelia Setyawati et al., 2023).

The implementation of inclusive accounting is becoming increasingly urgent as the participation of retail investors in Indonesia's capital market increases (Khaerunnisa et al., 2024). In order for this expansion of participation to be sustainable and of high quality, empowerment efforts are needed that encourage retail investors' ability to understand and utilize financial information effectively (Zainuri & Huda, 2023). In this case, inclusive accounting plays an important role as a bridge between the complexity of financial statements and retail investors' need for clear, concise and easy-to-understand information. In line with that, capital market regulators and authorities, such as the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX), also continue to strive to increase transparency and inclusiveness in the delivery of financial information (Sihaloho et al., 2025). The application of inclusive accounting principles not only supports this agenda, but also directly contributes to improving people's financial literacy and promoting corporate transparency and accountability (Mariana et al., 2025). Thus, inclusive accounting is not only conceptually relevant, but also strategic in creating a more equitable, participatory, and competitive capital market ecosystem.

This study aims to examine the application of the concept of inclusive accounting as a strategic effort in improving the accessibility and understanding of financial information for retail investors. Specifically, this study aims to identify the extent to which a simpler, more transparent and inclusive presentation of financial statements can bridge the information gap between retail and institutional investors. In addition, this study also aims to evaluate the potential contribution of inclusive accounting in promoting financial literacy, strengthening investor confidence, and supporting more rational and data-driven investment decision-making. By raising the perspective of retail investors, this research is expected to provide practical recommendations for reporting entities, regulators, and capital market authorities in designing more participatory and equitable financial reporting policies.

2. Method

This research uses a descriptive qualitative approach that aims to understand in depth how the application of inclusive accounting can improve access and understanding of financial information among retail investors. This approach was chosen because it is able to describe in detail the experiences, perceptions, and challenges faced by retail investors in accessing financial statements that are generally prepared in technical terms. The subjects of this study

were active retail investors in the Indonesian capital market who were purposively selected based on their involvement in making investment decisions. Data collection techniques were conducted through in-depth interviews with retail investors, documentation of public company financial statements and financial education materials, and where possible, observation of investor interactions with financial information. The data obtained was analyzed using the Miles and Huberman interactive model which includes the stages of data reduction, data presentation, and conclusion drawing. To ensure the validity of the data, this study applied source and method triangulation techniques, member checking, and systematic recording of the analysis process through an audit trail.

3. Results and Discussion

Retail Investors' Level of Understanding of Financial Information

The results of this study reveal that the majority of retail investors have difficulty in understanding the financial statements of listed companies that are prepared with technical terms and complex presentation structures. In-depth interviews with several retail investors identified terms such as "EBITDA", "long-term liabilities" and "cash flow from operating activities" as the most confusing sections. One informant stated, "I often open the company's annual financial report, but I skip the finance section because there are too many complicated terms that I don't understand. I just focus on the concise news or analyst recommendations on social media." This statement indicates the low financial literacy of retail investors in understanding formal financial statements.



Figure 1. Growth in the number of retail investors in Indonesia (2017-2023)

This finding is in line with data from the 2022 National Survey on Financial Literacy and Inclusion (SNLIK) conducted by the Financial Services Authority (OJK), which shows that the national financial literacy index stands at 49.68%, meaning that more than half of Indonesians do not adequately understand financial products and services, including basic accounting information. This poses a serious challenge, especially in the context of the increasing number of retail investors in the Indonesian capital market, which according to data from the Indonesian Central Securities Depository (KSEI) as of December 2023 has reached 12.16 million investors, up from only around 1.1 million in 2017. This increase in participation is not matched by an increase in understanding of adequate financial information.

From a literature perspective, this limited understanding is consistent with Lusardi and Mitchell's (2014) study, which states that low individual financial literacy results in suboptimal investment decisions. In addition, the approach to preparing financial statements that prioritizes technical accuracy and compliance with formal standards (such as PSAK/IFRS) often ignores aspects of understandability for general users. In this context, the principles of relevance and user relatability in the conceptual framework of financial reporting should be an important reference. Therefore, simplifying the format and delivery of information through data visualization, easy-to-understand narratives, and glossary of terms is an important part of inclusive accounting. This approach is expected to bridge the information gap between

institutional and retail investors, and support more rational and data-driven investment decision-making, especially amid the trend of capital market democratization.

Barriers to Information Access for Retail Investors

The study also found significant barriers to accessing financial information faced by retail investors. Most informants stated that they do not directly access official financial reports published by public companies through the IDX website or company websites, but instead rely on secondary information from social media, online discussion groups, or securities applications. One informant said, "I rarely open the company's annual report directly. Usually I just see the summary on YouTube or Instagram that discusses the stock." These findings suggest that retail investors tend not to have equal access, both in terms of information distribution channels and the ability to filter and interpret financial data in real-time and thoroughly.

This phenomenon reflects the occurrence of information asymmetry, where market participants with greater resources such as institutional investors have faster, more complete, and structured access to financial information, while retail investors are at a disadvantage (Tan et al., 2024). In financial theory, this condition risks creating imbalances in investment decision-making and potential exploitation of information by certain groups. Information asymmetry also has an impact on reducing market efficiency, as explained in the Efficient Market Hypothesis (EMH) theory which emphasizes the importance of information distribution so that stock prices reflect intrinsic value in a fair and transparent manner (Bakri et al., 2024; Sukoco, 2024).

Data from the Financial Services Authority (OJK) also shows that although digital literacy is increasing, public access and ability to understand and use official information on the capital market is still low (Dinya Solihati et al., 2023). This is reinforced by the results of the Indonesia Digital Literacy Index 2023 Survey conducted by the Ministry of Communication and Information Technology together with the Katadata Insight Center, which recorded Indonesia's digital literacy score of 3.65 on a scale of 1-5, with the dimensions of information literacy and digital security still classified as moderate. This means that although retail investors have the devices and connections to access information, they are not accustomed to or able to sort out credible sources of information. In this context, the application of an inclusive accounting approach becomes increasingly relevant. Providing financial information that is not only complete and standardized, but also packaged in user-friendly formats such as infographics, visual narratives, and non-technical context-based explanations can help reduce the information gap. Initiatives such as visual-based summary reports or the provision of digital-based integrated financial reports that can be accessed through one door are concrete solutions in expanding financial information inclusion in the capital market.

Investor Needs for Inclusive Financial Information

Another finding that emerged in this study shows that retail investors have a high demand for inclusive financial information presentation, which is presented in a more visual, simple and narrative format. Most informants revealed that they understand financial information better when it is presented through graphs of financial trends, summaries in the form of visual infographics, and interactive applications that provide gradual and contextual explanations. One informant said, "When presented in the form of graphs or financial summaries, I understand more quickly. Financial reports full of numbers and technical terms make me confused." This suggests an urgent need to adapt the presentation of information to make it more user-friendly, especially for non-accountants and non-finance people.

This need is in line with the concept of inclusive accounting, which is an approach to presenting accounting information that considers the diverse backgrounds of users, including those who do not have in-depth technical knowledge of accounting (Chowdhury et al., 2023). Inclusive accounting emphasizes that financial statements should not only be accurate and compliant, but also communicative and easily understood by a wide range of stakeholders, including retail investors. According to the literature, the principles of inclusive accounting include the use of clear language, informative data visualizations, and narratives that help readers understand the context and impact of financial data on their economic decisions.

In addition, previous research (Sutopo et al., 2021) states that the overly technical form of financial report presentation is one of the main obstacles to the financial literacy of retail investors in Indonesia. Reports that are only intended to fulfill regulatory compliance without considering aspects of partiality to ordinary users actually widen the information gap. Therefore, digital transformation and the development of information technology should be utilized to design interactive and educational financial reports, such as financial dashboards that provide simulations, explanations of terms, and visual aids for more intuitive analysis.

Thus, retail investors' need for more inclusive information is not just an individual preference, but reflects structural challenges in the financial information presentation system that has been more accommodating to professionals. The application of inclusive accounting principles has the potential to bridge the gap between the complexity of financial data and the need for practical understanding, while strengthening investor confidence in capital market transparency.

4. Conclusions and Suggestions

This study concludes that limited understanding and access to financial information is still a major obstacle for retail investors in making investment decisions. Financial statements prepared with technical formats and complex terminology tend to be difficult for non-professional users to understand, while access to credible and real-time information is still mostly enjoyed by institutional investors. These findings underscore the importance of inclusive accounting, which is an approach that designs financial information to be more user-friendly, communicative, and considers the diversity of users' financial literacy backgrounds. Visual, narrative, and interactive presentation of information proved to be the dominant preference among retail investors. Based on the findings, it is recommended that listed companies and capital market regulators start adopting inclusive accounting principles in public financial reporting. The provision of visual-based executive summaries, glossaries of accounting terms, and the use of interactive digital media can be effective strategies to increase retail investor literacy and participation. In addition, the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX) need to expand financial education programs that not only explain concepts, but also equip investors with the ability to read and analyze financial statements in an applicable manner. By increasing the inclusiveness of financial information, it is expected to create a fairer, more transparent and participatory capital market ecosystem for all market participants.

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