



## Unveiling the Invisible Cost Culture in Startup Financial Reporting

Heru<sup>1\*</sup>, Vicente Manuel Luis Guterres<sup>2</sup>, Subur Harahap<sup>3</sup>

<sup>1</sup>Universitas Terbuka, Indonesia

<sup>2</sup>Universidade Nacional Timor Lorosa'e, Timor Leste

<sup>3</sup>Institut Bisnis Nusantara, Jakarta

**Corresponding Author:** Heru, [043795081@ecampus.ut.ac.id](mailto:043795081@ecampus.ut.ac.id)

---

### ARTICLE INFO

*Keywords:* Invisible Cost Culture, Startup, Financial Reporting, Accounting Transparency, Hidden Costs

*Received :* 11, August

*Revised :* 25, August

*Accepted:* 26, September

©2025 Heru, Guterres, Harahap:  
This is an open-access article distributed under the terms of the [Creative Commons Atribusi 4.0 Internasional](https://creativecommons.org/licenses/by/4.0/).



### ABSTRACT

The phenomenon of invisible cost culture in startup financial reporting often remains overlooked, despite its significant implications for transparency, information accuracy, and business sustainability. This study aims to uncover hidden practices and patterns related to costs that are either undocumented or insufficiently disclosed in startup financial statements. Employing a qualitative approach through case studies of technology-based startups in Indonesia, data were collected via in-depth interviews with founders, financial managers, and investors, and analyzed using thematic analysis. The findings reveal that the invisible cost culture manifests in the form of informal expenses, the use of founders' personal resources, and relaxed accounting practices driven by rapid growth pressures. These conditions not only affect the quality of financial reporting but also undermine startups' credibility in the eyes of investors and external stakeholders. This study contributes to accounting literature by introducing a new perspective on hidden cost culture within the startup context, while offering practical implications for strengthening management accounting systems, internal control, and financial disclosure practices.

## **INTRODUCTION**

In the last decade, startups have emerged as one of the main drivers of global economic transformation. Startups not only present product and service innovations, but also become agents of change that challenge conventional business models through technological disruption and digitalization (Egiyi, 2023). Various reports show that startups in the financial technology, e-commerce, digital health, and education sectors have driven the creation of new ecosystems that are more adaptive, inclusive, and highly competitive. However, along with the acceleration of growth, fundamental issues arise related to financial governance and reporting accountability, which are still weak points for many startups in the world (Bischof et al., 2024).

Indonesia, as one of the largest digital markets in Southeast Asia, has experienced a very rapid surge in the number of startups in the last ten years. The government and private investors encourage the creation of an inclusive technology-based entrepreneurial ecosystem. However, many startups in Indonesia are still in the experimental phase, with relatively high failure rates due to weak financial management systems, limited capital, and lack of compliance with reporting standards (Mithila, 2025). This raises a crucial question: to what extent the quality of startups' financial statements truly reflects their financial reality, and the extent to which hidden practices contribute to the information investors receive.

One phenomenon that often goes unnoticed is the invisible cost culture. This phenomenon refers to financing practices that are not formally recorded in financial statements, either for technical reasons or because of intentionality to maintain operational flexibility. These practices can be in the form of the use of the founder's personal resources, the provision of informal compensation to the initial employees, or loosely classified expenses without detailed records (Accountancy Capital, 2025). In the short term, this practice is considered a survival strategy. However, in the long term, the accumulation of hidden costs has the potential to lower profitability, reduce transparency, and even pose sustainability risks (Ermetica7, 2025).

Accounting transparency has a vital role in creating investor and external stakeholder trust. Bischof et al. (2024) in the *Schmalenbach Journal of Business Research* introduced a seller-recipient model-based accounting communication framework, which shows that the quality of reporting is largely determined by the extent to which financial information is delivered completely and without distortion. Mithila (2025) emphasized that a low level of transparency increases capital costs, magnifies investment risks, and reduces the social legitimacy of startups. Thus, invisible cost culture is not just a technical problem of record-keeping, but a strategic issue that determines the sustainability of the company.

Academic studies on startup accounting generally focus on the issue of cash flow volatility, valuation difficulties, or equity-based compensation reporting (Egiyi, 2023). Several studies have also highlighted the weaknesses of startups' governance and internal control compared to public companies (Bischof et al., 2024). However, the literature that specifically reviews the cultural dimension of hidden costs in financial reporting is still very limited, both in the

global and Indonesian contexts. In fact, this phenomenon has the potential to greatly affect the reliability of financial statements, the quality of accounting information, and investor perception. Thus, there is a clear research gap, namely the absence of systematic studies on how invisible cost culture is formed, how it operates, and how it impacts startup financial transparency and accountability.

This study aims to identify the practices, patterns, and main determinants of invisible cost culture in technology-based startup financial reporting in Indonesia, as well as evaluate its implications on the quality of financial statements, organizational credibility, and investor perception. In addition, this research is also directed to provide practical recommendations related to improving accounting systems, internal controls, and financial disclosure mechanisms in developing startups. From a theoretical perspective, this research contributes to expanding the management accounting literature and financial reporting by presenting a new perspective on the culture of hidden costs in organizations operating under high uncertainty.

Meanwhile, practically, the results of this research are expected to help startup founders in designing accounting systems that are more adaptive but still transparent, while providing investors with a more comprehensive understanding of the risks of hidden information in financial statements. Not only that, the findings of this study are also expected to be a reference for regulators in developing financial reporting policies that are more in line with the unique characteristics of the startup ecosystem. Thus, this research not only enriches the academic discourse in the field of accounting, but also offers real implications in increasing the credibility and financial sustainability of startups in the digital economy era.

## **THEORETICAL REVIEW**

### ***Invisible Cost Culture and Reporting Transparency***

The concept of invisible cost culture is closely related to the practice of hidden costs that are not recorded in formal financial statements, either due to system limitations or due to organizational culture factors. Bischof et al. (2024) emphasize that accounting transparency is an important prerequisite for organizational accountability and credibility, especially in managerial and financial reporting contexts. Within the framework of legitimacy theory, Spence and Rinaldi (2014) emphasized that organizations need to internalize transparency practices in order to still gain support from stakeholders.

### ***Accounting in the Context of Digital Startups***

Digital startups have unique characteristics that distinguish their accounting practices from established ones. Davila et al. (2015) found that the management control system in startups is often undervalued, even though it is very important to ensure sustainability. Research in Indonesia by Chairina and Ardi (2025) and Halim et al. (2025) shows that many startups face challenges in managing financial reporting due to limited human resources and greater priority on product innovation. This phenomenon has implications for the

formation of a culture of hidden costs that are considered reasonable in the early stages of growth.

### ***Digitization of Accounting and Mitigation Efforts***

Digitization of accounting is seen as a potential solution to improve the accuracy and transparency of financial statements. Rahayu and Kusdianto (2023) highlight the importance of digital administration transformation in the context of taxation, while Yuttama and Jaya (2025) show that digital accounting innovations can strengthen the credibility of MSMEs in accessing financing. Other studies (Lanjarsih et al., 2024; Apipah et al., 2024) emphasized that the adoption of digital and blockchain systems is able to improve tax compliance while reducing tax record-keeping practices. Thus, the application of digital technology has the potential to be a mitigation strategy for startups in overcoming invisible cost culture.

### ***Theoretical Perspectives of Accounting and Costs***

Traditional accounting frameworks that emphasize detailed record-keeping are often considered less relevant in a dynamic startup environment. Kaplan and Bruns (1987) through a field study approach explained that the accounting system develops according to the practical needs of the organization. However, Velmurugan's (2010) research shows that the implementation of an activity-based costing system can fail if it is not in accordance with the organizational context. This supports the view that accounting practices in startups are not only determined by technical aspects, but also by the social and cultural norms of the organization.

### ***Qualitative Approach in Accounting Studies***

To uncover latent phenomena such as invisible cost culture, a qualitative approach with case study design is considered most appropriate. Yin (2018) emphasizes that case studies are effective in unearthing hidden practices that cannot be revealed through quantitative methods. This is reinforced by Creswell and Poth (2017) and Flick (2018) who affirm that qualitative research is able to uncover non-technical determinants, including organizational norms and values, that play an important role in startup accounting practices.

## **METHODOLOGY**

This study uses a qualitative approach with a case study design, because it is considered the most appropriate to explore latent and contextual phenomena, such as invisible cost culture in startup financial reporting. This approach allows researchers to understand complex and dynamic realities in depth, not only through quantitative data, but also through narratives, experiences, and practices carried out by actors in the field (Yin, 2018; Creswell & Poth, 2017).

### ***Location and Research Subject***

This study is focused on a number of technology-based startups in Indonesia, especially those engaged in the fintech, e-commerce, and digital

services sectors. The research subjects include startup founders, financial managers, and investors who have direct involvement in the management and evaluation of financial statements. The selection of subjects was carried out by purposive sampling by considering three criteria, namely the startup has been operating for at least two years, has active involvement in financial reporting management, and is willing to participate in the research.

### ***Data Collection Techniques***

Primary data is collected through in-depth interviews with key informants consisting of founders, financial managers, and investor representatives. Interviews are conducted in a semi-structured manner so that researchers can explore key issues while providing space for informants to explain their real experiences (Kallio et al., 2016). In addition, non-participant observations of financial reporting documents, internal records, and accounting practices were also conducted to strengthen the data (Flick, 2018). Meanwhile, secondary data is obtained from annual reports, media publications, and related company documents as triangulation material (Bowen, 2009).

### ***Data Analysis Techniques***

The data was analyzed using the thematic analysis method to identify the main patterns, themes, and categories that illustrate the phenomenon of invisible cost culture. The analysis process is carried out through three main stages. The first stage is data reduction, which is selecting and compiling relevant information. The second stage is the presentation of data in the form of a thematic matrix. The third stage is drawing conclusions based on the relationship between hidden cost practices, the quality of financial reporting, and the perception of startup credibility in the eyes of investors.

### ***Data Validity Test***

To ensure the validity and reliability of the research, a triangulation strategy of sources and methods is used. Source triangulation is carried out by comparing data from interviews, observations, and documents. Meanwhile, the triangulation method is carried out by combining an in-depth interview approach, document analysis, and literature review. In addition, member checking is also applied by asking for informant confirmation regarding the researcher's initial interpretation, so that the findings produced can be academically accounted for.

### ***Ethical Considerations***

This research adheres to the principles of research ethics, including by maintaining the confidentiality of the informant's identity, obtaining voluntary participation consent (informed consent), and using data only for academic purposes. This is important to ensure respondents' trust while ensuring the integrity of the research.

## RESULTS AND DISCUSSION

### *Invisible Cost Culture Pattern in Startups*

Data analysis shows that the invisible cost culture in tech startups in Indonesia is manifested through repetitive patterns that reflect the interconnectedness between informal financial practices and organizational social dynamics. The first pattern appears in the use of the founder's personal resources such as vehicles, digital devices, and daily operating expenses that are often not recorded in formal financial statements. One of the founders of a fintech startup said that "I often use a personal credit card to cover monthly operating costs, but I don't include it in the report. For me, this is a kind of emotional investment, because the important thing is that the company can run first" (FND-01 interview, February 12, 2025). This phrase shows that personal contributions are considered a form of moral commitment, not an accounting obligation that must be documented.

The second pattern is seen in the informal compensation provided to the core team. An e-commerce startup finance manager explained that "We sometimes compensate in the form of stock pledges or project-based bonuses, but they don't always go into the financial records. It's more of an internal agreement of the core team" (MGR-03 interview, February 25, 2025). This practice reflects managerial flexibility while also demonstrating the limitations of formal systems in documenting trust-based non-monetary transactions.

The third pattern is seen in the loose practice of financial records, especially in internal documents. One investor said that "When I was reviewing the monthly report, there was a big post named miscellaneous operations without details. It makes me doubt whether transparency is really maintained" (INV-05 interview, March 5, 2025). These findings indicate that invisible cost culture is not just a technical accounting practice, but the result of a social negotiation process aimed at maintaining operational continuity in the midst of limited resources. All of these findings are in line with the view of Yin (2018) that case studies provide opportunities for researchers to uncover hidden practices that often escape the quantitative approach.

### *Determinants of the Formation of a Hidden Cost Culture*

The phenomenon of invisible cost culture in technology startups does not only emerge as an individual practice, but is driven by structural and cultural determinants. The pressures of rapid growth are affecting founders' focus on placing more emphasis on product innovation and user acquisition rather than building sound financial governance. This orientation creates a short-term priority that puts financial reporting transparency in a secondary position. The co-founder of the e-commerce startup emphasized that "If we stop just to take care of financial statements too detailed, we can lose out to competitors quickly. So sometimes I think it's better to go first, the administration can do it later" (FND-02 interview, February 14, 2025). This statement shows a strategic compromise that ignores accounting compliance in favor of the pace of growth.

In addition to structural factors, the limitations of the formal accounting system and the lack of staff with accounting competence also strengthen the sustainability of hidden cost practices. Many startups still rely on simple

spreadsheet-based record-keeping systems without adequate internal audit mechanisms. A financial manager in the fintech sector revealed that "Our human resources are limited, so recording is only done in general. Sometimes I am the one who holds all the transactions myself, and I can't detail all of them" (MGR-04 interview, February 26, 2025). This practice reflects structural weaknesses that allow for the concealment or abandonment of certain costs.

From a cultural perspective, an adaptive and flexible organizational orientation often views accounting rules as an obstacle to work dynamics. This creates an internal norm where financial control is considered secondary to innovation and agility. One investor even said that "Unrecorded costs are a natural consequence in the early stages. The important thing is that they can grow, later when they are bigger, we will see a more detailed report" (INV-03 interview, March 2, 2025). This view reinforces the perception that the practice of hidden costs is considered part of the startup's lifecycle, not a serious violation.

The combination of structural factors in the form of growth pressures and system limitations, as well as cultural factors in the form of flexibility and tolerance for informal practices, makes invisible cost culture difficult to eliminate in the early stages of startup growth. This condition is in line with the view of Creswell and Poth (2017) who emphasize that qualitative approaches are able to uncover non-technical determinants, such as organizational culture and norms, that are often not captured in a positivistic framework. Thus, this phenomenon is not just a technical problem of accounting recording, but a reflection of the social and economic ecosystem that shapes the business practices of digital startups in Indonesia.

### ***Implications for Financial Reporting Quality and Credibility***

The findings of this case study confirm that invisible cost culture has serious implications for the quality of financial statements. First, reports become less reliable because not all costs are reflected in official records. Second, the difference between internal reports and reports shown to investors shows the potential for window dressing to attract funding. Third, investors admitted that it was difficult to assess financial risks because the information received did not fully reflect real conditions. Observations of e-commerce startups' internal documents show that digital promotion costs are often reported in aggregate, with no separation between the company's official expenses and the manager's personal contributions. These findings are consistent with Bischof et al. (2024), who stated that the limitations of accounting disclosure have the potential to lower organizational credibility and increase information asymmetry between management and stakeholders.

### ***Mitigation Strategies and Remedial Practices***

Although invisible cost culture seems inherent in the early stages of startup development, the results of the study show that there are realistic mitigation opportunities. The development of a simple digital-based accounting system is an important step because it is able to record small expenses and informal contributions without burdening operations. The involvement of

external accountants on a regular basis also plays a strategic role in improving the accuracy of recording while strengthening credibility in the eyes of investors. Furthermore, the internalization of the value of transparency in organizational culture is proving to be a key factor. An e-commerce startup finance manager asserts that when transparency is put as an organization's core value, "no cost is considered too small to be noted" (MGR-02 interview, February 20, 2025). This is in line with Flick (2018) who emphasizes the importance of integrating organizational values into accounting practices to create long-term legitimacy. Thus, mitigating invisible cost culture requires a combination of technical solutions and cultural transformation so that startups are able to maintain their sustainability and credibility in the digital era.

### ***Theoretical Discussion and Academic Implications***

This study confirms that invisible cost culture is not just a technical phenomenon, but a reflection of organizational culture dynamics, structural limitations, and adaptive strategies in the face of market uncertainty. Using a case study approach, this study was able to uncover latent dimensions that are not visible in formal financial statements. The theoretical contribution of this study is to expand the management accounting literature by showing that the practice of hidden costs can be understood as a social construct influenced by the context of the digital startup ecosystem. In practical terms, these results caution founders to balance managerial flexibility with accounting transparency, for investors to be more critical in assessing the risk of information asymmetry, and for regulators to design policies that are more in line with startup characteristics. Thus, this study shows that a qualitative approach based on case studies is very relevant to uncover the complexity of accounting in the context of organizations operating under high uncertainty.

## **CONCLUSIONS AND RECOMMENDATIONS**

This study shows that invisible cost culture is a real phenomenon in the financial reporting of technology-based startups in Indonesia. Through qualitative case studies, the practice of using the founder's personal resources, non-formal compensation, and loose financial recording was identified. The main driving factors include rapid growth pressures, limitations of accounting systems, and orientation to product innovation. This phenomenon has an impact on declining the quality of financial statements, increasing information asymmetry, and reduced investor confidence, although it can be minimized by the implementation of a simple accounting system, the involvement of external accountants, and the strengthening of transparency values.

Theoretically, this study expands the management accounting literature by raising the cultural dimension of hidden costs that are rarely studied in the context of digital startups. In practical terms, these findings provide insights for startup founders, investors, and regulators to balance flexibility with accountability, as well as design reporting policies that align with the unique characteristics of the startup ecosystem. Thus, this research contributes to increasing the transparency, credibility, and financial sustainability of startups in the digital economy era.

## FURTHER STUDY

Further studies are recommended to examine the phenomenon of invisible cost culture across a wider range of startups and industries, allowing for cross-sectoral comparisons and broader generalization. Future research could also adopt mixed methods by integrating quantitative approaches to measure the financial impact of hidden costs on performance and investor trust. In addition, longitudinal studies would be valuable to capture how invisible cost practices evolve as startups grow and transition into more mature stages, providing deeper insights into balancing innovation-driven flexibility with financial accountability.

## REFERENCES

- Apipah, D. L., Amalia, N. F., Aryanti, R. V., & Prawira, I. A. (2024). Digital transformation of accounting through blockchain: A literature study on implementation and challenges. *Bilancia: Scientific Journal of Accounting*, 9(2). <https://doi.org/10.35145/bilancia.v9i2.4937>
- Bischof, J., Gassen, J., Rohlfing-Bastian, A., Rostam-Afschar, D., & Sureth-Sloane, C. (2024). Accounting for transparency: A framework and three applications in tax, managerial, and financial accounting. *Schmalenbach Journal of Business Research*, 76, 573–611. <https://doi.org/10.1007/s41471-024-00200-7>.
- Chairina, & Ardi, A. (2025). Optimizing digital business strategies through accounting analytics: A case study on fintech startups in Indonesia. *All Fields of Science Journal Liaison Academia and Society*, 5(2).
- Creswell, J. W., & Poth, C. N. (2017). *Qualitative inquiry and research design: Choosing among five approaches* (4th ed.). SAGE Publications.
- Davila, A., Foster, G., & Jia, N. (2015). The valuation of management control systems in start-up companies: International field-based evidence. *European Accounting Review*, 24(2), 207–239. <https://doi.org/10.1080/09638180.2014.965714>
- Ezzamel, M., Robson, K., Stapleton, P., & McLean, C. (2012). The logics of budgeting: Theorization and practice variation in the educational field. *Accounting, Organizations and Society*, 37(5), 281–303. <https://doi.org/10.1016/j.aos.2012.03.005>
- Flick, U. (2018). *An introduction to qualitative research* (6th ed.). SAGE Publications.
- Halim, A. I. M., Muhammad, A. F., Nitswat, N., & Ardi, N. A. H. (2025). The pattern of financial management and challenges faced by digital startups in Indonesia: An accounting and financial technology perspective. *Economics and Business Journal (ECBIS)*.
- Kaplan, R. S., & Bruns, W. J. (1987). *Accounting and management: A field study perspective*. Harvard Business School Press.
- Lanjarsih, L., Nugrahanti, T. P., & Akbar, T. (2024). Analysis of digital accounting system implementation, internal control, and tax compliance on MSME sustainability in Karawang. *Western Science Accounting and Finance*, 2(3), 640–648. <https://doi.org/10.58812/wsaf.v2i03.1557>.

- Maulana, I. (2025). The impact of blockchain implementation on the transparency of financial statements of digital startups in Indonesia. *Indonesian Journal of Economics Management and Accounting*, 2(6), 1736–1741.
- Putri, D. A., Anggraini, L. D., & Pebriani, R. A. (2024). The influence of basic accounting knowledge, business experience, and business capital on the success of digital startup businesses (Startup Survey in Palembang). *EKOMA: Journal of Economics, Management, Accounting*, 3(3), 760–770. <https://doi.org/10.56799/ekoma.v3i3.3105>
- Rahayu, S. K., & Kusdianto, A. (2023). Challenges of digital tax administration transformation in Indonesia. In Vito Bobek & Tatjana Horvat (Eds.), *Business and Management Annual Volume 2023*. IntechOpen. <https://doi.org/10.5772/intechopen.111458>.
- Sinaga, K. A. S., Irene, J., & Christanti, R. (2023). Digital adoption and financial performance: Evidence from Indonesian SMEs in food and beverage sector. *Return: Study of Management, Economics and Business*, 2(4). <https://doi.org/10.57096/return.v2i04.94>
- Spence, C., & Rinaldi, L. (2014). Governmentality in accounting and accountability: A case study of embedding sustainability in a supply chain. *Accounting, Organizations and Society*, 39(6), 433–452. <https://doi.org/10.1016/j.aos.2014.07.002>
- Velmurugan, M. S. (2010). The success and failure of activity-based costing systems. *Journal of Performance Management*, 23(2), 3–33.
- Yin, R. K. (2018). *Case study research and applications: Design and methods* (6th ed.). SAGE Publications.
- Yuttama, F. R., & Jaya, Y. F. (2025). Strengthening MSME creditworthiness through financial transparency and digital accounting innovation. *Green Inflation: International Journal of Management and Strategic Business Leadership*, 2(2), 80–85. <https://doi.org/10.61132/greeninflation.v2i2.331>.