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**THE EFFECT OF HUMAN RESOURCE COMPETENCIES, ACCOUNTING INFORMATION SYSTEMS, INTERNAL CONTROL SYSTEMS, CHARACTERISTICS OF SMEs ON THE QUALITY OF FINANCIAL REPORTS**

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**ABSTRACT**

The purpose of this study was to determine the effect of human resource competencies, accounting information systems, internal control systems, and MSME characteristics on the quality of financial statements. The data in this study were collected by conducting a questionnaire survey on 100 MSME players in Pekalongan Regency) to analyze the role of human resource competency variables, accounting information systems, internal control systems, and MSME characteristics in improving the quality of financial reports. The data collection technique used a simple random sampling technique with the Slovin formula to obtain a sample of 100 MSME actors. The results of this study provides evidence that human resource competencies and accounting information systems have an influence on the quality of financial statements. Meanwhile, the internal control system and the characteristics of MSMEs have no influence on the quality of financial statements. So the influential variables in this study are human resource competencies and accounting information systems.

Keywords: accounting information systems; characteristics of MSMEs; human resource competencies; internal control systems; MSMEs; quality of financial statements

**INTRODUCTION**

Micro, Small, and Medium Enterprises (MSMEs) played a crucial role as economic actors on par with large corporations during the 1998 financial crisis. Their contribution was significant in accelerating Indonesia's economic growth after the crisis. However, MSMEs also face various challenges in their efforts to develop the Indonesian economy. One such challenge is the difficulty in obtaining bank loans as a source of additional business capital, due to limitations in preparing adequate financial reports. Although MSMEs are a key pillar of the Indonesian economy, their failure rate is not low, especially in the first year of operation. In fact, many of them have to close their businesses for various reasons. One of the main factors that causes problems for many MSMEs is the lack of effective financial planning. (Farsya Chairunnisa & Fadilah, 2023).

One area in Central Java with potential for MSME development is Pekalongan City. Pekalongan City boasts a local cultural heritage with significant potential for further development. Pekalongan City is widely known as a center for batik crafts. According to the Pekalongan City Department of Trade, Cooperatives, and SMEs, the number of Micro, Small, and Medium Enterprises (MSMEs) in Pekalongan currently stands at 22,000, with 983 entrepreneurs. The problems of MSMEs in Pekalongan Regency are shown that the problems faced by MSMEs in Pekalongan Regency are financial management that still uses simple methods and does not use accounting standards. The need for assistance for MSME business actors, therefore the agency will address the problems that occur in Pekalongan Regency by holding trainings, one of which is in the preparation of financial reports so that financial reports are neat according to the correct sequence or flow to assess operational performance (DINKOP UMKM and NAKER

Pekalongan Regency).

Recognizing the importance of financial management within a company, a fundamental understanding of accounting processes is crucial for aspiring entrepreneurs or MSME managers. This aims to provide MSMEs with information on the importance of separating business and personal funds, recording every transaction, and understanding financial reports (Chairunnisa & Fadilah, 2023).

The characteristics of MSMEs (Sari et al., 2023) are the attitudes or behaviors of individuals who are able to utilize financial resources, raw materials, and labor through creative and innovative efforts, while also being willing to take moderate risks to identify business opportunities. These characteristics include demographic characteristics such as age and gender. MSME characteristics are qualities or traits that remain constant and eternal and can be used as characteristics to identify an object. MSME characteristics emphasize the spirit of enthusiasm, which is then applied in everyday life. The differences in the research results conducted above caused the researcher to be interested in analyzing the influence of the quality of financial reports as seen from the competence of human resources, accounting information systems, internal control systems, and characteristics of MSMEs on MSME craftsmen receiving business credit with the title "The Effect of Human Resource Competency, Accounting Information System, Internal Control System, and Characteristics of Msmes on the Quality of Financial Reports".

## **METHOD**

This research is a type of quantitative research. According to (Sugiyono, 2023) data Quantitative research is a type of research that aims to determine the influence or relationship between two or more variables. In this study, quantitative data is used to identify the influence of independent variables consisting of HR competencies, Accounting Information Systems, Internal Control Systems, and MSME Characteristics on the dependent variable, Financial Report Quality. The data used in this study is primary data obtained from statements or questionnaires provided by respondents.

The statements presented in the questionnaire are in the form of closed-ended and open-ended statements. Closed-ended statements are created using an interval scale to obtain data that, when processed, shows the influence or relationship between variables. The interval scale used in this study is a bipolar adjective, which is a refinement of the semantic adjective. scale with the hope that the resulting response will be intervally scaled. The scale used is in the range of 1-5 (even scale) to avoid respondents who tend to choose answers in the middle, which will result in responses that are clustered in the middle (grey area).

In study This object Which used is perpetrator MSMEs Which located in Pekalongan Regency, including services, trade, industry, production, livestock, fisheries, and others. The sampling technique used is purposive sampling. Sample distributed to MSME actors in the form of a questionnaire. The questionnaire was distributed by two method that is through Google form And manual with method meet directly to MSME owners. Questionnaires were distributed via Google form This was done by distributing a questionnaire link to MSME associations or communities. From this questionnaire distribution, a sample of 100 MSMEs was selected. The obtained sample data will be processed for analysis and hypothesis testing. The data analysis methods used are descriptive statistics, classical assumption tests, panel data regression tests and multiple linear regression analysis using the SPSS version 25 statistical program. Validity tests and reliability tests were also used before testing the feasibility of each questionnaire that

would be distributed to respondents.

**RESULTS AND DISCUSSION**

Table 1.  
Multiple Linear Regression Test Results

Model		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	( Constant )	1,715	2,284		,751	,455
	Human Resources Competence	,460	,073	,503	6,297	,000
	Accounting Information System	,360	,088	,321	4,083	,000
	Internal Control System	-,057	,190	-,050	-,301	,764
	Characteristics of MSMEs	,177	,181	,164	,980	,329

Dependent Variable: Quality of Financial Reports

Source: results of output data processing, SPSS

Based on the table 1, the results of data processing, the multiple regression model equation can be formulated as follows:

$$\text{Quality of financial reports} = 1.715 + 0.460 \text{ Human Resources Competence} + 0.360 \text{ Accounting Information System} + -0.057 \text{ Internal Control System} + 0.177 \text{ MSME Characteristics} + e.$$

From the regression equation above, it can be explained as follows:

1. The constant of 1.715 indicates that if the independent variables (human resource competency, accounting information system, internal control system, and MSME characteristics) are assumed to remain unchanged (constant), then the Y value (financial report quality) is 1.715 units.
2. The regression coefficient of the human resource competency variable (X1 ) is 0.460, this means that for every increase in human resource competency, the quality of financial reports increases by 0.460 units, assuming that other variables do not change or remain constant.
3. The regression coefficient of the accounting information system variable (X2 ) is 0.360. This means that for every increase in the accounting information system variable, the quality of financial reports will increase by 0.360 units, assuming that other variables do not change or are constant.
4. The regression coefficient of the internal control system variable (X3 ) is -0.057. This means that for every one unit increase in the internal control system, the quality of financial reports decreases by 0.057 units, assuming that other variables do not change or remain constant.
5. The regression coefficient of the MSME characteristic variable (X4 ) is 0.177. This means that for every one unit increase in the MSME characteristic variable, the quality of the financial report increases by 0.177 units, assuming that other variables do not change or are constant.

**F Test ( Goodness of Fit) of fit test)**

The F test is used to determine whether the regression model used is suitable or not. The basis used for decision making is the *goodness of fit value. of fit test* (F). If the significance value is <0.05, the model is said to be fit or suitable for further analysis.

Table 2.  
F Test (Goodness of Fit) of fit test)

Model		ANOVA <sup>a</sup>				
		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	461,995	4	115,499	28,080	,000 <sup>b</sup>
	Residual	390,755	95	4,113		
	Total	852,750	99			

a. Dependent Variable : Quality of Financial Reports

b. Predictors : ( Constant ), MSME Characteristics, Human Resource Competence, Accounting Information System, Internal Control System

Source: results of output data processing, SPSS

Based on the table above, it shows that the calculated F value is 28.080 with a significance level of 0.000. The significance value ( $0.000 < 0.05$ ), it can be concluded that there is a significant influence between human resource competency, accounting information systems, internal control systems, and MSME characteristics on the quality of financial reports and it can be said that the regression model used in this study is suitable for use in further analysis, because the model is said to be suitable or fit.

### **Partial Test ( t )**

Based on the results of the t-test, the research results can be explained as follows:

#### **a. First Hypothesis Testing (H1)**

Based on the table data, the results of the first hypothesis test show that the Human Resource Competence variable (X1) has a significant value of  $0.000 < 0.05$  and has a B coefficient of (+) 0.460. The calculated t-value of 6.297 is greater than the t-table of 1.661. This indicates that human resource competence (X1) has a positive effect on the quality of financial reports (Y) in Pekalongan Regency. So it can be concluded that the first hypothesis stating that the Human Resource Competence variable (X1) has a significant positive effect on the quality of financial reports (Y) is proven or H1 is accepted.

#### **b. Testing the Second Hypothesis (H2)**

Based on the table data, the results of the first hypothesis test show that the Accounting Information System variable (X2) has a significant value of  $0.000 < 0.05$  and has a B coefficient of (+) 0.360. The t-count value of 4.083 is greater than the t-table of 1.661. This indicates that the accounting information system (X2) has a positive effect on the quality of financial reports (Y) in Pekalongan Regency. So it can be concluded that the second hypothesis which states that the Accounting Information System variable (X2) has a significant positive effect on the quality of financial reports (Y) is proven or H2 is accepted.

#### **c. Testing the Third Hypothesis (H3)**

Based on the table data, the results of the third hypothesis test show that the Internal Control System variable (X3) has a significant value of  $0.764 > 0.05$  and has a coefficient value of B (+) - 0.057. This indicates that the Internal Control System (X3) has no effect on the quality of financial reports (Y) in Pekalongan Regency. Therefore, it can be concluded that the third hypothesis stating that the Internal Control System variable (X3) has no positive effect on the quality of financial reports (Y) is not proven or H3 is rejected.

#### **d. Testing the Fourth Hypothesis (H4)**

Based on the table data, the results of the fourth hypothesis test show that the MSME Characteristics variable (X4) has a significant value of  $0.329 > 0.05$  and has a coefficient value of B (+) 0.177. This indicates that the MSME Characteristics (X4) does not affect the quality of financial reports (Y) in Pekalongan Regency. Therefore, it can be concluded that the fourth hypothesis stating that the MSME Characteristics variable (X4) does not have a positive effect on the quality of financial reports (Y) is not proven or H4 is rejected.

## **CONCLUSION**

Based on the data obtained from the analysis and discussion carried out, the following conclusions can be drawn:

1. The results of the first test showed a positive and significant influence between Human Resource Competence (X1) and the Quality of Financial Reports (Y) of MSMEs in Pekalongan Regency. This means that the better the human resources, the better the quality of the resulting financial reports.
2. The third test results revealed a positive and significant influence between the Accounting Information System (X2) and the Quality of Financial Reports (Y) of MSMEs in Pekalongan Regency. This means that a good Accounting Information System can help improve the quality of financial reports, enabling companies to make more informed decisions and improve overall performance.
3. The results of the third test show that the Internal Control System (X3) does not have a positive effect on the Quality of Financial Reports (Y). This means that the Internal Control System does not affect the Quality of Financial Reports of MSMEs in Pekalongan Regency.
4. The results of the fourth test show that MSME Characteristics (X4) do not affect the Quality of Financial Reports (Y). This means that MSME Characteristics do not affect the Quality of Financial Reports of MSME actors in Pekalongan Regency.

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