

## Human Resources Competence, Accounting Information Systems and Quality of Financial Reports in Cooperatives in East Lombok Regency

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### ABSTRACT

The objective of this investigation is to examine and evaluate the effect of skill and accounting procedures on the content of financial statements. A survey method was used to distribute questionnaires to cooperatives in East Lombok Regency. This research uses primary data through a survey method to gather primary data. The selection of the sample was carried out through a specific sampling method, and 80 individuals completed the questionnaire. The data was processed with the SmartPls 4.0 software after being processed. The findings reveal that the proficiency of personnel and accounting information systems affects the content of financial statements. Furthermore, by utilizing accounting information system technology, it can provide excellence and accuracy in the process of preparing financial reports for cooperatives.

## **INTRODUCTION**

Indonesia's economic development is greatly influenced by economic activities carried out by various business entities, both state-owned and private. One type of entity that plays a role not only in operational activities and stakeholders but also in providing benefits to society as a whole is a cooperative. In executing their operations, cooperatives adhere to certain principles that form the foundation, including autonomy, belonging, transparency, democratic management, equitable distribution of profits based on the contribution of each member's business services, minimal compensation for invested capital, educational cooperatives, and collaboration among cooperatives (Prasisca et al., 2012). To support the running of business entities, cooperatives need financial reports which will later be used to make decisions and other important policies. Therefore, financial reporting must be able to provide information about the company's economic assets, describe the company's performance in a certain period, and provide data that can help parties who need financial reports in making decisions.

Financial reports are the final stage in the accounting process which has a chair role in a company, both profit and non-profit, according to Faisal et al (2023). Financial reports provide details about the firm's financial health, performance, and cash flow, assisting various report readers in making financial decisions and demonstrating management's accountability for how they utilize the resources given to them. Cooperatives require high-quality financial statements. The most dependable and truthful financial statements are the ones that demonstrate how the data can assist stakeholders in making choices (Mahayani et al., 2017). The PSAK (the leading document from 2007) outlines that the essential features of financial records are those that are clear, relevant, credible, and consistent. Human resource competence cannot be ignored in the context of the quality of financial reports. Quality of financial reports is impacted by the importance of human resource competence in an organization. Competence in human resources plays a huge role in the quality of financial statements, as they are capable of delivering statements that are on time, pertinent, and comparable. Highly skilled individuals are required for optimal presentation of financial data. An educational background in accounting, active participation in related training and education, and adequate experience in the financial sector can help achieve this.

In addition to the skill level of human resources, the systems that manage accounting information also play a significant role in shaping financial statements. During a time of swift technological advancement, cooperatives are still behind and do not grasp the full capabilities of technology, particularly in how to use accounting information systems effectively. Improvements in technology and accounting information systems hold significant potential to enhance productivity, clarity, and the overall performance of cooperatives. Accounting information systems have a crucial role in minimizing potential errors in accounting data so that they can produce accurate financial reports because they can reduce the risk of fraud (WiWiSear & Safitri, 2021). Accounting information systems play an important role because they can provide

information that can help organizational management carry out their duties optimally (Aldegis, 2018). According to Elsharif's research (2019), the accounting information system plays a significant role in decision-making as it provides comprehensive data, impartiality, and suitability, thereby enhancing the efficiency and efficacy of financial reports and financial information.

There are challenges in managing cooperatives in East Lombok Regency. Based on data obtained from the East Lombok Regency Cooperatives and SMEs Service, with a total of 607 cooperatives, only 309 cooperatives are still operating actively and 298 other cooperatives are declared inactive or out of business. Based on data obtained from the East Lombok. This factor is caused by the large number of cooperatives that never hold an End of Year Meeting (RAT). Head of the Cooperative Empowerment and Development Division of the East Lombok Cooperative and SME Service, Sri Kuspianti Purnama Dewi, stated that many cooperatives have not yet carried out RATs due to the limited number of cooperative assistants in their field-making movement. Apart from that, cooperatives have not yet carried out a RAT because the management and members are busy, and they do not have incomplete reports, especially financial reports. The report that will be submitted in the RAT is of course a financial report that meets the criteria and quality. The main challenges in preparing cooperative financial reports in East Lombok are limited human resources who have an adequate understanding of the process of preparing financial reports, as well as the lack of effective use of information systems. In light of the current situation in cooperatives in East Lombok, this investigation seeks to examine whether human resources and accounting information systems are capable of delivering high-quality financial reports, thereby assisting cooperative managers in generating financial reports that are presented, and especially those that will be reported. At year-end meetings and during the decision-making process.

## **THEORETICAL REVIEW**

### **Management Theory (Stewardship Theory)**

This investigation is based on the Stewardship theory, which discusses a condition where management is more in line with the main goals or targets, namely the interests of organizational demands compared to individuals. Donaldson and Davis (1991). Stewardship theory explains the relationship between the principal (cooperative members) and the stewards (management) which tends to provide maximum benefits to the organization. This study delves into how cooperatives function as a reliable entity committed to serving the organization's needs by fulfilling its responsibilities and roles effectively, thereby offering top-notch services to both members and the wider community. This was successfully achieved through remarkable outcomes (Handayani et al., 2022).

### **Human Resources Competency**

Competence is a person's ability to carry out tasks or work supported by the knowledge they possess, skills that have been developed, and attitudes that are characteristic of that individual's character (Wibowo, 2014). According to Animah et al., (2020), competence can be divided into two aspects, namely, visible and hidden. Although some skills can be observed, there are also aspects of skills that are difficult to identify directly. Meanwhile, hidden competencies include skills that may not always be visible, but have the potential to make a significant contribution to improving individual performance. Hence, it can be declared that human resource competency reflects an individual's ability to carry out a job efficiently to meet their needs. The level of human resource competency increases with an individual's enhancement of skills and understanding.

### **Accounting Information System**

Data and transactions are processed in an accounting information system to produce business information that is useful for planning, management, and business operations to meet the needs of decision-makers, provide the required data, and collect transactions or other data (Eveline, 2016) Financial, marketing, production, and human resources information systems are built on accounting information systems. Users can compare the latest financial reports with financial reports from previous periods with this system. Potential deficiencies and errors that may occur in manual data management can be reduced by proper use of information technology facilities.

### **Quality of Financial Reports**

According to PSAK No. 1 (2015:1), "Financial reports are a structured presentation of the financial position and financial performance of an entity". Prasisca et al., (2012) stated that the quality of financial reports is the condition and condition of financial presentation that meets certain provisions or standards that are free from misleading notions and material errors. Characteristics of quality serve as a way to evaluate the sufficiency of a financial statement. According to IAI (2017), a financial statement's quality should include elements that are clear, pertinent, dependable, and consistent. The quality of financial reports is determined by many factors. Riyadi, (2020) Quality financial reports show that the Chairman of the Cooperative is responsible by the authority delegated to him in carrying out his responsibilities for managing the organization.

## Hypothesis Development

### The Influence of Human Resource Competency on the Quality of Financial Reports

Quality human resources are crucial in cooperatives, as they're one of the things that help cooperative enterprises succeed. The standard of cooperative financial statements will improve with a boost in human resource skills. The competence of human resources, according to Pujanira & Taman (2017), greatly affects the quality of financial statements, as competent individuals are more likely to produce timely, relevant, and comparable statements. Success in producing quality financial reports depends on its implementation or human resources. Based on the statement above, the hypothesis formulation is:

**H1: Human resource competency has a positive effect on the quality of financial reports**

### The Influence of Accounting Information Systems on the Quality of Financial Reports

The standard of financial statements will be enhanced through the optimal utilization of accounting information systems. Users can easily access, manage, and utilize financial information by using an accounting information system. The research results of Sari et al. (2022) show that the use of information systems can improve the quality of financial reports, the better the use of technology by users, the better the quality of financial reports. The use of accounting information systems in data processing makes it easier for individual performance so that the results obtained are more effective. In line with Paniran (2020) states that by using a good and correct accounting information system, companies can present financial reports that are comparable, reliable, and trustworthy. The hypothesis formulation is based on the statement above.

**H2: Accounting information systems have a positive effect on the quality of financial reports**

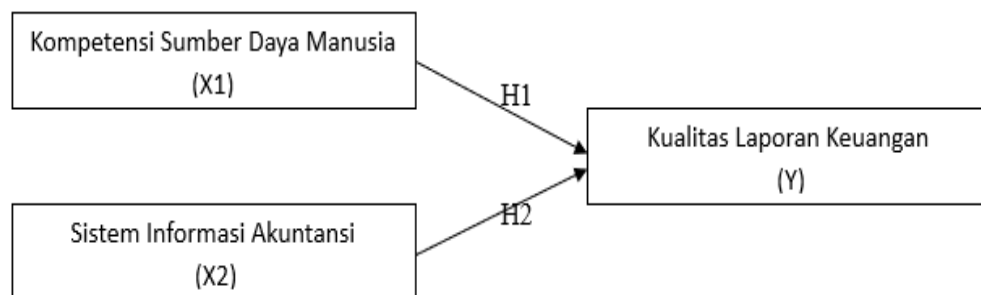


Figure 1. Research Conceptual Framework

## METHODOLOGY

In this study, the writer employed quantitative approaches. Quantitative research involves a method of investigation that generates results through statistical techniques or alternative methods that can be quantified or measured (Sujarweni, 2014). This study employs primary data, which is derived from the opinions, perceptions, responses, and assessments of employees or cooperative owners in East Lombok Regency. The population in this research is cooperatives in East Lombok Regency. The method for gathering samples involves selective sampling. Selective sampling is a strategy for choosing samples in a specific manner. In this study, the criteria for selecting samples include: (1) cooperatives that are currently operational (2) cooperatives that employ IT as a system for managing accounting information. The variables used in this research are human resource competency and accounting information systems as independent variables and the quality of financial reports as the dependent variable. All testers in this study used SmartPLS 4.0 software to test the relationships between the variables in it.

## RESULTS

Initial testing begins with outer model analysis, to show how each indicator block relates to other variables. In this research, validity and reliability tests were used, and distributed to 80 cooperatives in East Lomok Regency. The following is a schematic of the proposed PLS program model.

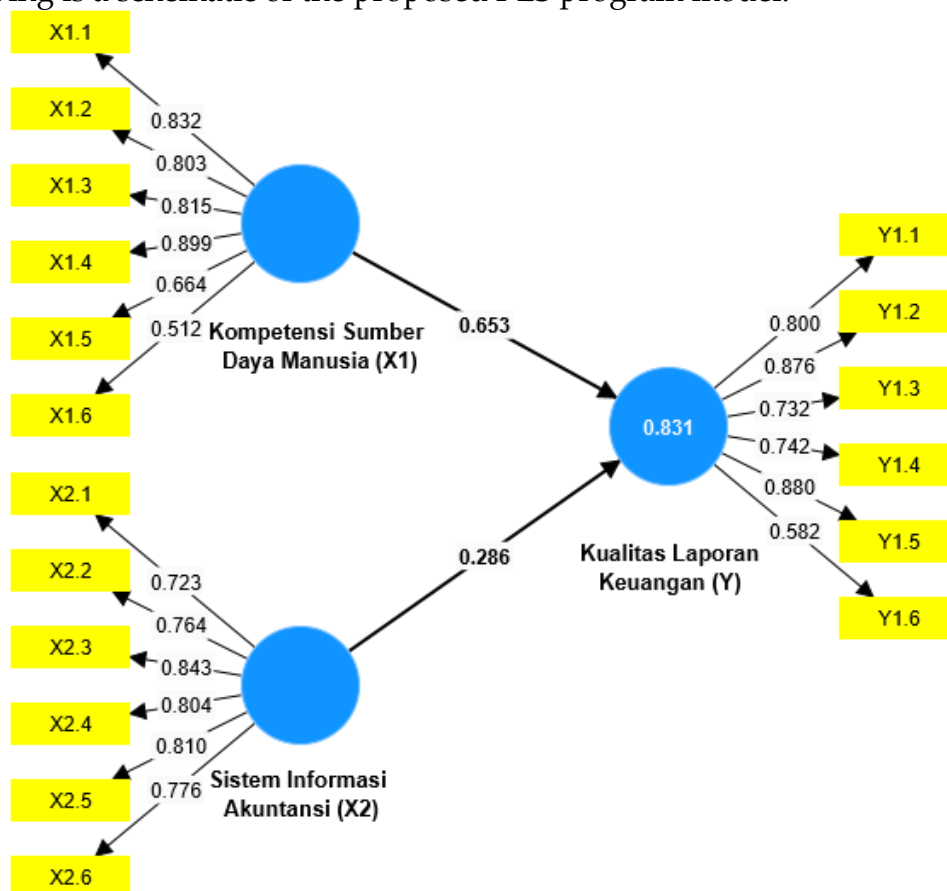


Figure 2. Outer Model

## Validity Test Analysis

### 1. Convergent Validity

	Kompetensi Sumber Daya Manusia (X1)	Kualitas Laporan Keuangan (Y)	Sistem Informasi Akuntansi (X2)
X1.1	0.832		
X1.2	0.803		
X1.3	0.815		
X1.4	0.899		
X1.5	0.664		
X1.6	0.512		
X2.1			0.723
X2.2			0.764
X2.3			0.843
X2.4			0.804
X2.5			0.810
X2.6			0.776
Y1.1		0.800	
Y1.2		0.876	
Y1.3		0.732	
Y1.4		0.742	
Y1.5		0.880	
Y1.6		0.582	

**Figure.3 Outer Loading**

Convergent validity can be assessed through the relationship between the score of the item or indicator and the score of the construct being measured. Based on Figure 3 above, shows that all the variables used in this research, such as human resource competency, accounting information systems, and financial report quality, each variable has a loading factor value of  $> 0.5$ , so the question item is declared convergently valid (Haryono, 2017).

### 2. Discriminant Validity

	Cronbach's alpha	Composite reliability (rho_c)	Composite reliability (rho_c)	Average variance extracted (AVE)
Kompetensi Sumber Daya Manusia (X1)	0.851	0.863	0.852	0.585
Kualitas Laporan Keuangan (Y)	0.863	0.882	0.899	0.681
Sistem Informasi Akuntansi (X2)	0.879	0.892	0.907	0.620

**Figure 4. Average Variance Exturted (AVE) Analysis Results**

The AVE value of the human resource competency variable is 0.851, the financial report quality variable is 0.863, and the accounting information system variable is 0.879, according to the test results in the image above. All variables used in this research have an AVE value  $> 0.5$ , This indicates that each variable has high discriminant validity.

## Reliability Test

Construct reliability and validity - Overview				
	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Kompetensi Sumber Daya Manusia (X1)	0.851	0.883	0.892	0.586
Kualitas Laporan Keuangan (Y)	0.863	0.882	0.899	0.601
Sistem Informasi Akuntansi (X2)	0.879	0.892	0.907	0.620

**Figure 5. Composite Reability**

Reliability tests were carried out to prove reliability related to the consistency of respondents in answering survey questions. In SEM-PLS, measuring reliability can be done using Cronbach's Alpha and Composite Reliability. A construct is declared reliable if the composite reliability value is more than 0.7 (Ghozali & Latan, 2015). Figure 5 shows that all variables have composite reliability and Cronbach's alpha values greater than 0.70. So, it can be concluded that the indicators used in this research have met the reliability test, so it can be concluded that all the variables to be tested have a good level of reliability and are suitable for analysis.

## Model feasibility test (Goodness of Fit)

R-square - Overview			
	R-square	R-square adjusted	
Kualitas Laporan Keuangan (Y)	0.831	0.827	

**Figure 6. R Square Results**

Figure 6 produces an R-square value of 0.831 which can be interpreted as the financial report quality variable (Y) is influenced by the human resource competency variable and the accounting information system variable by 83.1% and the remaining 0.169 or 16.% is still influenced by factors. -other factors not examined in this study. Thus, from these results, this research model can be stated to have good goodness of fit.

## Hypothesis Testing

Path coefficients - Mean, STDEV, T values, p values					
	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Kompetensi Sumber Daya Manusia (X1) → Kualitas Laporan Keuangan (Y)	0.653	0.851	0.077	8.438	0.000
Sistem Informasi Akuntansi (X2) → Kualitas Laporan Keuangan (Y)	0.286	0.290	0.082	3.490	0.000

**Figure 7. Hypothesis Test Results**



With the t table value of 1.960, to determine whether the picture above is significant or not, look at the P values where the analysis results obtained are:

1. The human resource competency variable on the quality of financial reports with a t-statistic value of  $8.428 > 1.965$  and a p-value of  $0.000 < 0.05$ . The resulting regression coefficient value (original sample) was 0.653. So it can be concluded that the human resource competency variable has a positive direction towards the quality of financial reports, meaning that human resource competency influences the quality of accepted financial reports.
2. The resulting value of the accounting information system variable on the quality of financial reports with a t statistic of  $3.493 > 1.960$  and a p-value of  $0.000 < 0.05$ . The regression coefficient value (original sample) is 0.280. So it can be concluded that the accounting information system variable has a positive direction towards the quality of financial reports, meaning (H2) the accounting information system influences the quality of accepted financial reports.

## DISCUSSION

### **The Influence of Human Resource Competency on the Quality of Financial Reports**

Based on research results, human resource competency has a positive direction on the quality of financial reports in cooperatives. The positive value of the regression coefficient shows a unidirectional relationship between human resource competency and the quality of financial reports, meaning that the higher the human resource competency, the higher the quality of the cooperative's financial reports. This is by the results of research by Pujanira & Taman (2017) which states that human resource competence has a positive effect on the quality of financial reports. The quality of financial reporting will be better if it is supported by competent human resources (Mahardini & Miranti, 2018). Competent human resources can be seen from knowledge, educational background, skills, and abilities in completing tasks (Laksamana, 2016).

Human resource competency is one of the most crucial elements in efforts to improve the quality of financial reports (Safitri et al., 2023). The results of this research are in line with previous research by Tengko et al., (2022) which stated that human resource competence influences the quality of financial reports in cooperatives. The availability of these competencies will support timeliness in completing financial reports. According to Anggreni & Dewi (2022), high human resource competency can be achieved by participating in training and having adequate experience in the financial sector. Loveli & Ayu's (2022) research results state that increasing human resource competency will lead to an increase in the quality of financial reports. This can help ensure success in the process of preparing quality cooperative financial reports.

The results of this research are in line with the theory used, namely stewardship theory where human resources are driven by the interests of the organization to provide good service, one of which is by producing quality financial reports. According to Riyadi (2020), quality financial reports show that the Chairman of the Cooperative is responsible according to the authority delegated to him in carrying out his responsibilities for managing the organization. Apart from that, success in managing quality financial reports depends on the competence of human resources (Darmawan & Darwanis, 2018). However, this research is not in line with Wijayanti Lilis (2017) and Animah et al., (2020) which stated that human resource competency does not have a significant effect on the quality of financial reports or that no influence was found between the quality of human resources on the quality of financial reports.

### **The Influence of Accounting Information Systems on the Quality of Financial Reports**

The results of this research are in line with research by Sarwono & Munari (2022) which states that accounting information systems influence the quality of financial reports. This is proven by the regression coefficient value in this study showing a unidirectional relationship with the quality of the cooperative's financial reports, meaning that the better the accounting information system in the cooperative, the higher the quality of the cooperative's financial reports. Implementing an adequate information system will produce good financial reports (Suprihatin & Ananthi, 2019). Based on the survey results in this research, it shows that the majority of cooperatives already use computer-based information systems, this shows that knowledge of accounting information technology or basic accounting sciences, especially regarding financial reports, is useful for the cooperatives being run.

Information systems are an important factor in decision making because they are able to provide detailed data, objectivity and suitability so that they are able to provide efficient and effective financial reports (Elsharif, 2019). This research is supported by Uviyanti & Pramuka (2020) who state that accounting information systems have a positive and significant effect on the quality of financial reports. Accounting information systems have a functional role in minimizing errors and fraud in accounting data, so that they are able to produce accurate reports (WiWiSear & Safitri, 2021). By utilizing an accounting information system, users can easily access, compare, manage and utilize financial information quickly and accurately. Using a good and correct information system will produce reliable and trustworthy financial reports (Paniran, 2020).

The results of this research are in line with the theory used, namely stewardship theory where the accounting information system describes a structure that facilitates the process of preparing financial reports effectively in order to produce a good level of financial independence. Accounting information systems can provide information that can help organizations maximally carry out their duties (ALDEGIS, 2018). The findings of this study align with a study by Faisal and colleagues (2023), indicating that the application and understanding of accounting information technology significantly enhance the quality of

financial statements in cooperatives. Nonetheless, the outcomes of this study do not match those of Atharrizka et al. (2021), who claimed that accounting information systems do not significantly impact the quality of financial statements.

## CONCLUSIONS AND RECOMMENDATIONS

This research aims to examine the influence of human resource competence and accounting information systems on the quality of financial reports. This research used 80 research samples with a purposive sampling method. The results of data processing in this research show that all the variables tested in this research, such as human resource competency and accounting information systems, have an influence on the quality of financial reports in cooperatives in East Lombok Regency. A limitation in this research is the limited number of cooperatives in East Lombok that use accounting information systems in managing cooperatives. This reduces the quality of the financial reports produced.

## FURTHER STUDY

Based on the results of the research and discussions that have been carried out in this research, it is hoped that further research can add other variables that were not examined in this research, for example the internal control system and examine in more depth other factors such as communication, supervision and training.

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