

## **The role of Accounting Information Systems and HR Competence in Enhancing Financial Reporting Quality with The Implementation of SAK EMKM on MSME Kabupaten Bandung**

**Noviana Nur Arifa<sup>1</sup>, Muhammad Iqbal Alamsyah<sup>2</sup>**

<sup>1</sup>Accounting, Faculty Economics, Universitas Indonesia Membangun Bandung, Indonesia

<sup>2</sup>Universitas Indonesia Membangun Bandung, Indonesia

### **Abstrak**

With 99% of all business units being MSMEs, their contribution to Indonesia's economic growth is highly significant. MSMEs provide 60.5% of the GDP and 96.9% of the nation's employment to GDP and employment, respectively. The very large role of MSMEs in economic growth in Indonesia, there are also challenges faced by MSMEs, including capital, human resources, law, and accountability. Constraints in accountability are one of the most common problems faced by SMEs. This problem occurs because MSMEs are not used to recording and compiling financial reports as a description of the company's business and financial conditions. This study aims to determine the role of Accounting Information Systems and HR Competence in Enhancing Financial Reporting Quality with the Implementation of SAK EMKM on MSME Kabupaten Bandung. The research's methodology is quantitative. 17,757 MSMEs made up the study's sample. Nonprobability sampling, in particular purposeful sampling, is used in this investigation. 100 participants made up the study's sample, and their responses were examined using the SmartPLS 4.0 program. The findings indicate that the accounting information system has no significant effect on the financial reporting quality, the accounting information system has a significant effect on the implementation of SAK EMKM, HR competence has a significant effect on the financial reporting quality, and HR competence has a significant effect on the implementation of SAK EMKM. In addition, the results of the study show that the accounting information system and HR competence have a significant effect on the financial reporting quality which is mediated by the implementation of SAK EMKM., Quality of the MSME financial reports in Bandung Regency can be created with components support, namely financial accounting standards, accounting information systems, and quality human resources. MSME actors need to apply these components so that they have good-quality financial reports and can make it easier to analyze their business development and make it easier to get loan funds.

**Kata Kunci:** Accounting Information System, Human Resources Competence, Implementation of SAK EMKM, Financial Reporting Quality

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✉ Corresponding author :

Email Address : [novianan19@gmail.com](mailto:novianan19@gmail.com)

## INTRODUCTION

With 99% of all business units being MSMEs, their contribution to Indonesia's economic growth is highly significant. MSMEs provide 60.5% of the GDP and 96.9% of the nation's employment to GDP and employment, respectively. Likewise for the West Java Province area, especially in Bandung Regency, the number of MSME business actors according to data from the Cooperatives and UKM Office for 2022 is 17.757 MSME center business units. Sujarweni (2019) said that behind the very large role of MSMEs in economic growth in Indonesia, there are also challenges faced by MSMEs, including capital, human resources, law, and accountability. Constraints in accountability are one of the most common problems faced by SMEs. This problem occurs because MSMEs are not used to recording and compiling financial reports as a description of the company's business and financial conditions (Alhamzah, et al, 2022).

The Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK IAI) on October 24, 2016, issued and ratified the EMKM Financial Accounting Standards, which are simpler than SAK ETAP effective on January 1, 2018, to provide convenience for financial recording and reporting patterns specifically aimed at EMKM.

One of the problems of MSMEs in Bandung Regency in developing their business is limited capital funds because it is difficult for MSME actors to get loans in the form of bank loans as additional business capital. In the implementation of lending from banks, there is a requirement to provide financial reports as a basis for assessing the feasibility of receiving the loan (Kosadi & Ginting, 2018). One of the rules from Bank Indonesia in financing from Commercial Banks to Small and Medium Micro Entities (EMKM) is accounting information provided by business actors. (BI Regulation No. 14/22/PBI/2012 Article 5 and finish with No. 17/12/PBI/2015).

For all types of businesses, even MSMEs, accounting information is crucial to success. However, awareness and understanding of MSMEs in carrying out financial practices is still low and has many obstacles and weaknesses caused by the low level of understanding and inadequate quality of human resources (Kasir, 2020). With the information in quality financial reports, MSMEs can obtain credit or loans from banks as business capital so that they can improve their business development.

In presenting and compiling quality financial reports, MSME need several aspects that can support them. Factors that can affect the quality of financial reports, namely the application of EMKM financial accounting standards, accounting information systems, and human resource competencies, supported by research by Prihatin & Ayem (2020), Animah, et al (2020), and Hermanto (2022).

## LITERATURE REVIEW

### *Accounting Information System*

Corporate entities do a number of repetitive operations, and the usage of accounting information systems can help organize the process of providing information promptly and accurately. An accounting information system is a crucial component for enhancing organizational effectiveness and fostering competitiveness by giving management access to financial and accounting data. Information systems' primary goal This accounting is used to transform financial data from a variety of sources into accounting information required by a range of consumers (Alamyar & Nurmiati, 2022).

The use of accounting information systems can benefit MSME actors because they have access to fast, pertinent, accurate, and comparable financial information. Consequently, the usage of accounting information systems improves the quality of financial reports (Animah, et al, 2020). The quality of the financial reports produced will rise with better accounting information system utilization (Lestari & Dewi, 2020).

### *Human Resource Competency*

The skill of human resources can be measured by the level of knowledge and ability in accounting or the finance department. Human resource competence refers to a person's capacity for carrying out their duties and upholding the trust placed in them. An appropriate educational foundation in accounting is required, especially in the field of accounting, where expertise in the field is complemented by ongoing training (Hakim & Handayani, 2023). The quality of financial reporting is positively impacted by human resources because the knowledge and skills possessed by human resources in preparing financial reports will provide results or quality financial reports that can be well understood and can be used according to their needs (Hermanto, 2022).

#### ***Financial accounting standards for micro, small, and medium-sized businesses (SAK EMKM)***

Based on IAI (2018) Micro, small, and medium-sized businesses lack substantial public responsibility. The EMKM financial accounting standard was created as a baseline for financial accounting standards for MSMEs with the express purpose of making it simpler for MSME actors to produce financial reports. The goal of financial reports, according to SAK EMKM (2018), is to present data on an entity's financial position and financial performance that is helpful for many users in making decisions by anyone who is not in a position to request specialized financial reports to meet these information needs. SAK EMKM implementation in recording and preparing financial reports affects improving the quality of the financial reports of MSME actors (Prihatin & Ayem, 2020).

#### ***Financial Reporting Quality***

A normative measure that needs to be taken into account in accounting information is the quality of financial reports. Financial statements are a compilation of data on an organization over a specific time period that are used to assess the performance of an organization (Suwarno, et al, 2023). It can be concluded that the financial reports' quality is determined by statements that are presented structured and meet the criteria for financial accounting report requirements. Good financial report preparation must be based on the relevant accounting standards. MSMEs must adhere to SAK EMKM in preparing financial reports so that these financial reports are of high quality and serve as a foundation for economic decisions for business continuity.

#### **Framework**

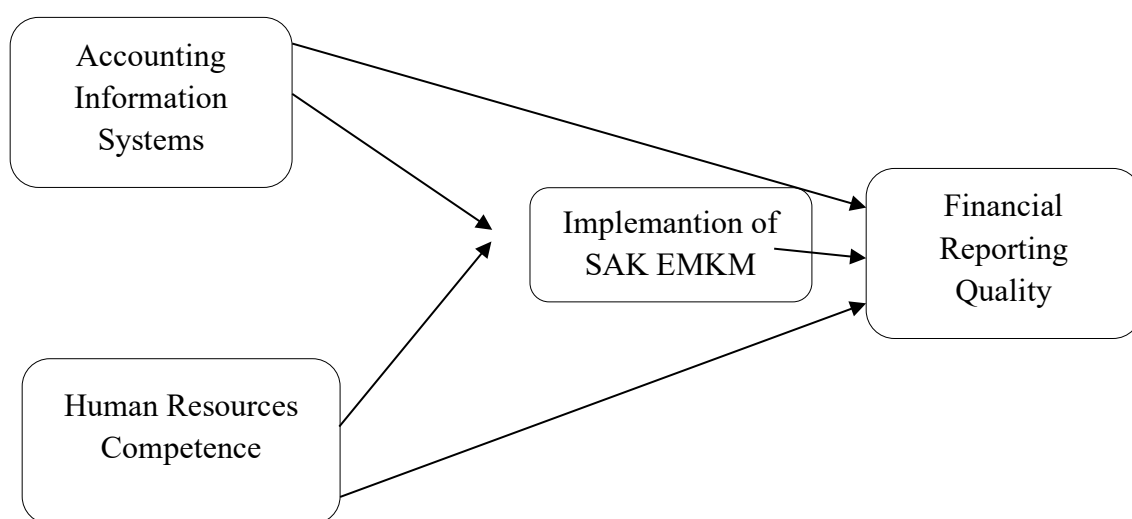


Figure 1. Thinking Framework

The hypothesis proposed in this study are:

- a) H1: *Accounting Information Systems* have an influence on the *Financial Reporting Quality*
- b) H2: *Accounting Information Systems* have an influence on the *Implementantion of SAK EMKM*
- c) H3: *Human Resources Competence* have an influence on the *Financial Reporting Quality*
- d) H4: *Human Resources Competence* have an influence on the *Implementantion of SAK EMKM*
- e) H5: *Implementantion of SAK EMKM* have an influence on the *Financial Reporting Quality*
- f) H6: *Accounting Information Systems* have an influence on the *Financial Reporting Quality* which is mediated by the *Implementation of SAK EMKM*
- g) H7: *Human Resources Competence* have an influence on the *Financial Reporting Quality* which is mediated by the *Implementation of SAK EMKM*

## RESEARCH METHODS

This study uses a quantitative research method and uses nonprobability sampling, especially purposive sampling. The population in this study was 17,757 MSME actors in Bandung Regency with a total sample of 100 people. The data collection technique used in this study was to fill out a questionnaire online using Google Forms. The Structural Equation Analysis (SEM) with Partial Least Square (PLS) 4.0 data processing technique was used in this investigation with several stages, namely outer model analysis, inner model analysis, and hypothesis testing. The outer model analysis is carried out to ensure that the measurements used are feasible to be used as measurements (valid and reliable). An outer model includes convergent validity, discriminant validity, composite reliability, and cronbach's alfa. Meanwhile, an analysis of the inner model/structural analysis of the model is carried out to ensure that the structural model built is robust and accurate. An inner model includes (R-Square) and effect size. Path coefficient tests and SEM analysis with mediating effects are two types of hypothesis testing, by examining the t-statistic and the probability value. The p-value for probability values is less than 0.05 while the alpha is 5%.

## RESULT AND DISCUSSION

Respondents in this study were 100 MSME actors in Bandung district who had made financial reports. The following are the results of the research model which has been inputted into the SmartPLS software which can be seen in Figure 2.

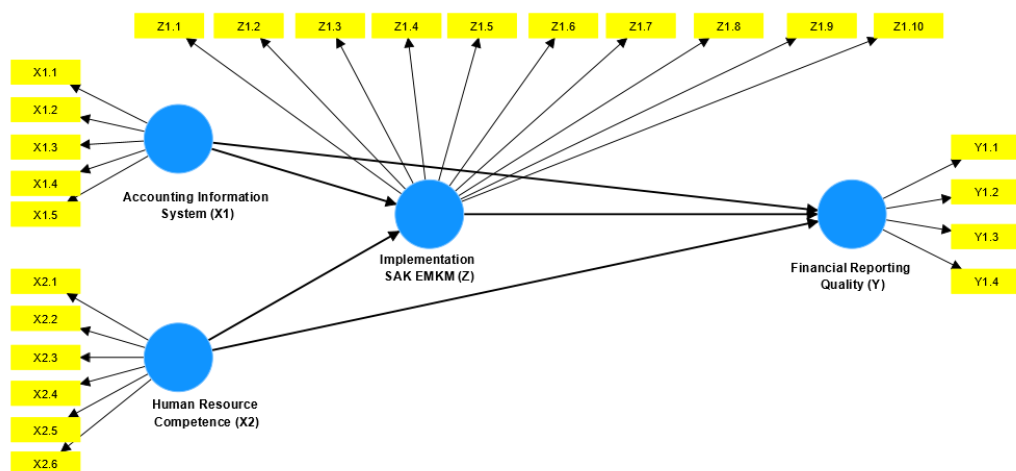


Figure 2: Research Model (Researcher data processing results, 2023)

This Outer Model analysis specifies the relationship between latent variables and their indicators. Or it can said that the outer model defines how each indicator relates to its latent variable. Tests performed on the outer model can be seen in Figure 3.

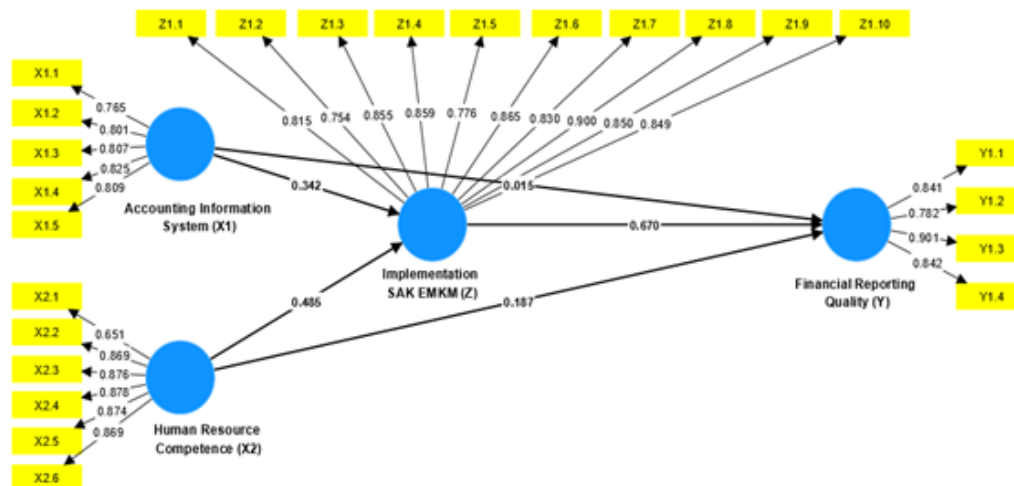


Figure 3: Results of Outer Model – Algorithms (Researcher data processing results, 2023)

Convergent validity is used to validate indicators of the variables in terms of the loading factor values. This value will be accepted if the loading factor value is above 0.70. The last check of convergent validity is to look at the AVE value. An indicator is considered to have good convergent validity if it has an AVE value of more than 0.5 (Ghozali, 2021). Figure 4 shows the results of the loading factor test where one of the variables is excluded because it has an invalid value.

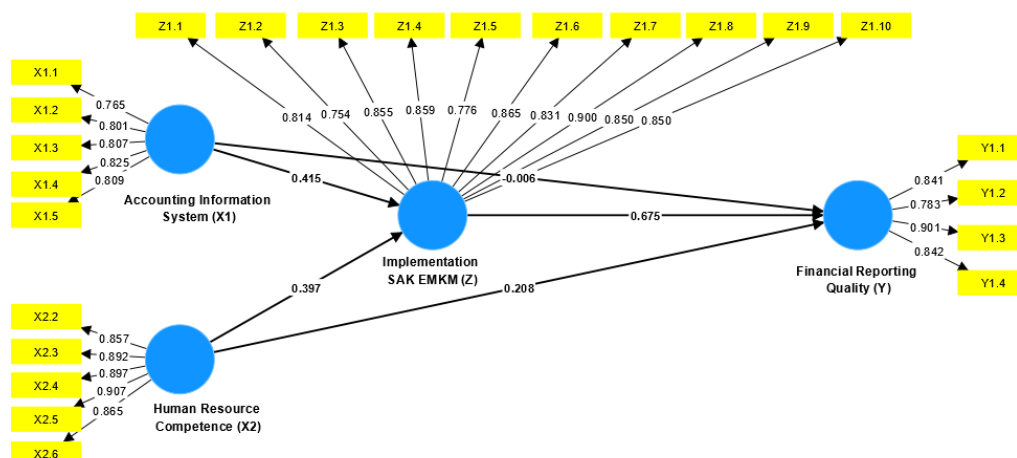


Figure 4: Loading Factor Test Results (Researcher data processing results, 2023)

Based on table 1, the data shows that the loading factor value meets the minimum value  $>0.70$ , so the result of this test has good convergent validity.

Table 1. Loading Factor

	(X1)	(X2)	(Z)	(Y)
X1.1	0.765			
X1.2	0.801			
X1.3	0.807			
X1.4	0.825			
X1.5	0.809			
X2.2		0.857		
X2.3		0.892		
X2.4		0.897		
X2.5		0.907		
X2.6		0.865		
Y1.1				0.841
Y1.2				0.783
Y1.3				0.901
Y1.4				0.842
Z1.1			0.814	
Z1.2			0.754	
Z1.3			0.855	
Z1.4			0.859	
Z1.5			0.776	
Z1.6			0.865	
Z1.7			0.831	
Z1.8			0.900	
Z1.9			0.850	
Z1.10			0.850	

(Researcher data processing results, 2023)

While in table 2 is the result of data that does not meet the minimum value limit or is invalid.

Table 2. Invalid Loading Factor

	(X1)	(X2)	(Z)	(Y)
X2.1		0.651		

(Researcher data processing results, 2023)

The results of the Average Variance Extracted (AVE) can be seen in table 3 which shows that all variable constructs have reached a minimum value  $>0.5$ , so the ave value in the convergent validity test is valid.

Table 3. AVE

Variabel	AVE	Keterangan
Accounting Information System (X1)	0.643	Valid
Human Resource Competency (X2)	0.706	Valid
Implementation SAK EMKM (Z)	0.700	Valid
Financial Reporting Quality (Y)	0.710	Valid

(Researcher data processing results, 2023)

The discriminant validity of the measurement model with reflective indicators assessed from the cross-loading for each variable must be  $>0.70$  (Ghozali, 2021). Table 4, shows that the cross-loading values for each indicator's findings already have a cross-loading value that meets the minimum  $>0.70$ . Therefore, the results of this test are declared discriminantly valid.

Table 4. Cross Loading

	(X2)	(Y)	(Z)	(X1)
X1.1	0.506	0.388	0.505	0.765
X1.2	0.567	0.548	0.555	0.801
X1.3	0.637	0.472	0.600	0.807
X1.4	0.738	0.681	0.674	0.825
X1.5	0.761	0.501	0.592	0.809
X2.2	0.857	0.617	0.674	0.675
X2.3	0.892	0.551	0.584	0.658
X2.4	0.897	0.654	0.658	0.761
X2.5	0.907	0.592	0.626	0.731
X2.6	0.865	0.656	0.685	0.744
Y1.1	0.553	0.841	0.657	0.509
Y1.2	0.528	0.783	0.561	0.478
Y1.3	0.677	0.901	0.825	0.635
Y1.4	0.578	0.842	0.695	0.582
Z1.1	0.658	0.766	0.814	0.556
Z1.2	0.450	0.600	0.754	0.501
Z1.3	0.688	0.691	0.855	0.588
Z1.4	0.588	0.751	0.859	0.631
Z1.5	0.689	0.600	0.776	0.728
Z1.6	0.633	0.688	0.865	0.702
Z1.7	0.660	0.627	0.831	0.613
Z1.8	0.575	0.764	0.900	0.597
Z1.9	0.480	0.665	0.850	0.482

Z1.10	0.673	0.706	0.850	0.727
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(Researcher data processing results, 2023)

To demonstrate the instrument's precision, consistency, and accuracy in measuring a construct, a reliability test was carried out. The reliability of the instrument is determined by the Cronbach alpha and Composite Reliability value is  $>0.70$  (Ghozali, 2021).

Table 5. Composite Reliability and Cronbach Alpha

Variabel	Cronbach's alpha	Composite reliability	Keterangan
X2	0.930	0.947	Reliable
Y	0.864	0.907	Reliable
Z	0.952	0.959	Reliable
X1	0.862	0.900	Reliable

(Researcher data processing results, 2023)

Based on table 5, using Cronbach's Alpha and Composite Reliability, it can be seen that the values of all the variables in the reliability test have fulfilled the assessment criteria more than 0.7. It can be said that the variables put to the test are reliable and valid.

Evaluation of based on substantive theory, the inner model depicts the link between latent variables. This measurement stage is through a structural model, namely the R-Square ( $R^2$ ) (Ghozali, 2021). Tests performed on the inner model can be seen in Figure 5.

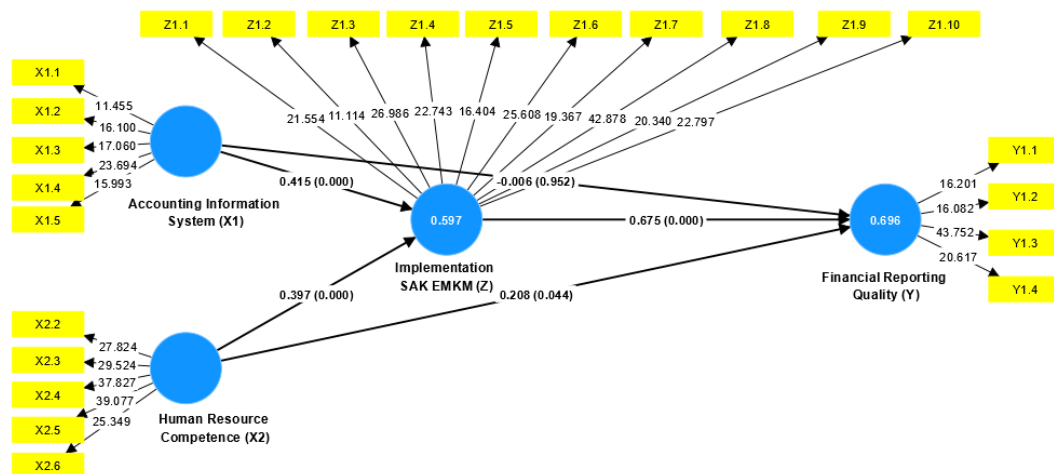


Figure 5: Result of Inner Model – Complete Bootstrapping (Researcher data processing results, 2023)

Evaluation of the R-square value. If the R square value is getting closer to the value 1, the model is getting stronger or better and the normal value of R square is 0.50 (Ghozali, 2021).

Table 6. R Square	
Variabel	R-square
Financial Reporting Quality (Y)	0.696



Implementation SAK EMKM (Z)	0.597
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(Researcher data processing results, 2023)

Based on table 6 it can be seen that the variable financial reporting quality's R-Square value is 0.696. The financial reporting quality statements are explained by acquisition value by 69.6%. The SAK EMKM implementation variable's R-Square value is then 0.597. This figure demonstrates how SAK EMKM was implemented to the tune of 59.7%.

Evaluation of to determine if the hypothesis may be accepted or rejected, use the Structural Model (inner model). The research will use a significant value construct with a T-statistic value  $>1.96$  and a P-value  $<0.05$ .

Table 7. Result of Direct Effect Test (Path Coefficients)

		O	(M)	STDEV	T-stat	P-Val
H1	(X1)					
	-> (Y)	-0.006	-0.009	0.100	0.060	0.952
H2	(X1)					
	-> (Z)	0.415	0.423	0.117	3.556	0.000
H3	(X2)					
	-> (Y)	0.208	0.210	0.103	2.019	0.044
H4	(X2)					
	-> (Z)	0.397	0.393	0.110	3.618	0.000
H5	(Z)					
	-> (Y)	0.675	0.679	0.091	7.434	0.000

Table 7 conclusions regarding the hypothesis one show that an insignificant relationship between accounting information systems (X1) and financial reporting quality (Y) with a t-statistic value of 0.0060 ( $<1.96$ ) and p-value 0.952 ( $>0.05$ ). This is contradicts the research findings of Animah, et al (2020) which showed that accounting information systems and the accuracy of financial reports are interconnected.

Hypothesis two show that a significant relationship between the accounting information systems (X1) and the implementation of SAK EMKM (Z), with a t-statistic value of 3.556 ( $>1.96$ ) and p-value 0.000 ( $<0.05$ ). This is in accordance with the results by Wardhani, et al (2020) of previous research that the application of SAK EMKM and accounting information systems are interconnected.

Hypothesis three show that a significant relationship between human resource competency (X2) and financial reporting quality (Y), with a t-statistic value of 2.019 ( $>1.96$ ) and p-value 0.044 ( $<0.05$ ). This is in accordance with the results of previous research by Hermanto, et al (2020) that the competence of human resources and the quality of financial reports are interconnected.

Hypothesis four show that a significant relationship between human resource competency (X2) and the implementation of SAK EMKM (Z), with a t-statistic value of 3.618 ( $>1.96$ ) and p-value 0.000 ( $<0.05$ ). This is in accordance with the results of previous research by Permana & Alamysah (2022) that the competence of human resources and the implementation of SAK EMKM are interconnected.

Hypothesis five show that a significant relationship between the implementation of SAK EMKM (Z) and financial reporting quality (Y), with a t-statistic value of 7.434 ( $>1.96$ ) and p-value 0.000 ( $<0.05$ ). This is in accordance with the results of previous research by Ayem &

Prihatin (2020) that the competence of the implementation of SAK EMKM and the quality of financial reports are interconnected.

Table 8. Results of indirect effect test (mediation)

		O	(M)	STDE V	T-stat	P-Val
H6	(X1) -> (Y) -> (Z)	0.280	0.291	0.100	2.807	0.005
H7	(X2) -> (Y) -> (Z)	0.268	0.264	0.074	3.602	0.000

(Researcher data processing results, 2023)

Table 8 conclusions regarding the hypothesis six and seven show that a relationship between the accounting information system (X1) and human resource competency (X2) on financial reporting quality (Y) which is mediated by the implementation of SAK EMKM (Z), with a t-statistic value 2.807 and 3.602 ( $>1.96$ ), and p-value 0.005 and 0.000 ( $<0.05$ ) which means significant and declared fully mediated.

## CONCLUSION

Based on the results of the research, the authors state that quality of the MSME financial reports in Bandung Regency can be created with components support, namely financial accounting standards, accounting information systems, and having quality human resources. MSME actors need to apply these components so that they have good-quality financial reports, because it will make it easier for MSME actors to analyze their business development and gain the trust of outsiders in providing loans. MSME actors need to continue to improve their financial literacy in order to maintain the quality of the financial reports they produce.

There are several limitations in conducting research. These limitations can limit the reliability of the data. The results of the study were limited to the responses obtained from MSME actors in Bandung Regency. The sample in this study does not represent all MSMEs in Bandung Regency. Therefore, it is proposed that the number of selected samples be increased and try the study in other areas to allow comparisons to be made and to ensure more reliable results. Besides that on the analysis above, it is necessary to consider that there are many factors or constructs other than the construct in this study, it is necessary to add other variables for further research.

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