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Quality of Msme Financial Reports: The Role of Digital Financial Recording Systems And Human Resource Competence

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Abstract: *Financial report quality is a crucial aspect in achieving transparency and accountability in the financial management of Micro, Small, and Medium Enterprises (MSMEs). However, a pre-survey of MSMEs in Bandar Lampung City indicates low utilization of digital financial recording systems and limited human resource competence in financial management, resulting in suboptimal financial report quality. This study aims to analyze the impact of using digital financial recording systems and human resource competence on the quality of MSME financial reports in Bandar Lampung City. A quantitative approach with an explanatory design was employed. Primary data were collected via online and offline questionnaires distributed to 165 MSME owners selected through purposive sampling. Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS Version 4 software. The results show that the use of digital financial recording systems has a positive and significant effect on financial report quality (path coefficient 0.681; t-statistic 6.571; p-value 0.000). Human resource competence also has a positive and significant effect on financial report quality (path coefficient 0.250; t-statistic 2.460; p-value 0.014). These findings confirm that simultaneously enhancing the use of digital systems and human resource competence can improve the quality of MSME financial reports, thereby supporting more professional and accountable business management.*

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Introduction

Quality financial reports provide users with relevant, reliable, comparable, and easily understood data for stakeholders. This information is essential as a basis for economic decision-making by business owners, investors, creditors, and other interested parties. For this reason, the quality of

financial reports is a crucial instrument for assessing the performance and sustainability of a business (Mamatzakis & Tzouvanasb, 2025). The phenomenon of financial report quality also occurs in several Southeast Asian countries. Research by Namburi and Raksudjarit (2025) on MSMEs in Thailand shows that weaknesses in financial report preparation persist due to limited professional accounting competency, inadequate accounting practices, and weak accounting management systems, which reduce the reliability of financial reports and hinder access to financing. Furthermore, research by K. Johl et al. (2013) in Malaysia found that the quality of financial reports is influenced by the quality of the internal audit function.

Audit Result Reports (LHP) from the Supreme Audit Agency (BPK) continue to show deficiencies in the internal control system and limited human resource expertise in financial management (Adpim Lampung Province, 2025). This phenomenon related to the quality of financial reports also occurs in the MSME sector in Bandar Lampung City. This condition is caused by limited competent human resources and low accounting knowledge (Utami et al., 2023). Furthermore, many MSMEs have not implemented the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) due to limited knowledge and skills in preparing financial reports (Clalorin & Riswan, 2023).

Data from the Bandar Lampung Cooperatives and MSMEs Service indicates a significant increase in the number of MSMEs as seen in the following table:

Table 1 Number of MSMEs in Bandar Lampung City in 2021-2024

No	Year	Number of MSMEs
1	2020	166,280
2	2021	168,797
3	2022	270,157
4	2023	492,986
5	2024	492,986

Source: Bandar Lampung City Cooperatives and MSMEs Service

Based on the table above, the number of MSMEs in Bandar Lampung City shows a very significant upward trend between 2020 and 2024. This increase reflects the growth of entrepreneurial activity and demonstrates that MSMEs are a key driver of the regional economy. However, this growth has not been fully accompanied by improvements in the quality of financial reporting. This is reinforced by the results of a pre-survey conducted on 20 MSMEs in Bandar Lampung City to obtain an initial overview of the use of digital financial recording systems to support the preparation of financial reports. The results of the pre-survey are presented in the following table:

Table 2. Pre-survey on the Use of Digital Financial Recording Systems

No	Statement	Yes	No
1	MSMEs record financial transactions using accounting systems/applications	9	11
2	MSMEs prepare financial reports using the assistance of a digital financial recording system.	7	13
3	MSME financial reports are prepared routinely (monthly/annually)	8	12
4	MSMEs use financial reports as a basis for decision making	10	10
5	The system used is capable of producing profit and loss reports and balance sheets.	6	14

Source: Field Survey (2025)

The above conditions indicate that the digital financial recording system has not been optimally utilized to support the quality of MSME financial reports. Nevertheless, as many as 50% of MSMEs stated that they have used financial reports as a basis for decision-making, even though these reports are not fully supported by an adequate digital financial recording system. The results of this pre-survey

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indicate that there are problems in the use of digital financial recording systems in the MSME sector in Bandar Lampung. The implementation of an effective digital financial recording system can have a direct impact on increasing operational efficiency. Processes that previously required lengthy periods, such as financial report preparation and reconciliation, can now be completed more quickly. Furthermore, a digital financial recording system also enables better internal control, as it is able to detect anomalies and facilitate more comprehensive audits. This reduces the risk of fraud or errors that can result in losses for MSMEs.

The use of a digital financial recording system as the first independent variable indicates inconsistencies in previous research results. Mayndarto et al. (2026) found that the use of a digital financial recording system had a positive and significant effect on the quality of financial reports. However, Karabsheh et al. (2022) found that the quality of accounting information had no significant effect on the decision-making of financial report users in companies in the industrial sector listed on the Amman Stock Exchange. This difference in results indicates an empirical gap regarding the relationship between digital financial recording systems and financial report quality.

In addition to systems, workforce or human resource factors also play a crucial role in the preparation of financial reports. Human competency, as the second independent variable, also shows differences in previous research results. Prasetyo (2024) found that workforce competency has a positive and significant effect on financial report quality. However, a different finding was found in research by Darmawan et al. (2024), which showed that human resource quality did not have a positive and significant effect on financial report quality. These differences in research results indicate an empirical gap regarding the influence of human resource competency on financial report quality.

Literature review

Technology Acceptance Model (TAM) Theory

The Technology Acceptance Model (TAM), a theory developed by Davis (1989), explains several factors that can influence a person's acceptance and use of a technology if the technology is perceived to provide benefits (perceived usefulness) and is easy to use (perceived ease of use). First, Perceived usefulness refers to an individual's level of confidence that using a system can help improve job performance, while perceived ease of use refers to the level of confidence that using the system does not require significant effort. The TAM theory is relevant to this study because the use of digital financial recording systems by MSMEs is influenced by user perceptions regarding the ease and usefulness of the system they use. The higher the level of acceptance and use of a digital financial recording system, the better the quality of the resulting financial information. In addition, human resource competency also plays a role in supporting the process of optimal system use, thereby creating more accurate, relevant, reliable, and timely financial reports.

Quality of Financial Reports

The quality of financial reports can be defined as a report's ability to provide relevant, reliable, comparable, and understandable information, making it effective as a reference for decision-making. According to the Indonesian Institute of Accountants (2018), the quality of financial reports is determined by qualitative characteristics, namely relevance, reliability, comparability, and understandability. The primary purpose of financial reports is to provide information regarding an entity's financial position, annual performance, and changes in financial position. For MSMEs, the quality of financial reports remains crucial because it relates to access to financing, business evaluation, and business sustainability.

Use of Digital Financial Recording Systems

A digital financial recording system is defined as a technology-based system used to record, store, manage, and process financial transactions electronically, thereby generating financial data that can be used in business decision-making. In the context of MSMEs, a digital financial recording system can take the form of a digital bookkeeping application, a digital cashier application (point of sale), or

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accounting software that helps business owners record transactions more effectively and efficiently. The use of a digital financial recording system plays a crucial role in improving the quality of MSME financial management. Through a digitally connected system, business owners can record transactions directly (in real time), which can reduce the risk of recording errors, accelerate financial data processing, and produce a variety of highly accurate financial information that can support more informed decision-making (Aryanto, 2023).

Human Resources (HR) Competence

Competence reflects not only technical abilities but also personality characteristics, values, and behaviors that support the achievement of organizational goals. Sudiarti and Juliarsa (2020) explain that human competence relates to a person's abilities, influenced by knowledge, skills, and personal characteristics that directly impact performance. Competence is an individual characteristic that enables someone to produce superior performance. Human resource competence can be understood as the combination of knowledge, skills, and attitudes that an individual possesses in carrying out their work.

Framework

The conceptual framework developed illustrates the correlation between digital financial recording systems and human resource competencies on the quality of MSME financial reports. The conceptual framework used in this study is as follows:

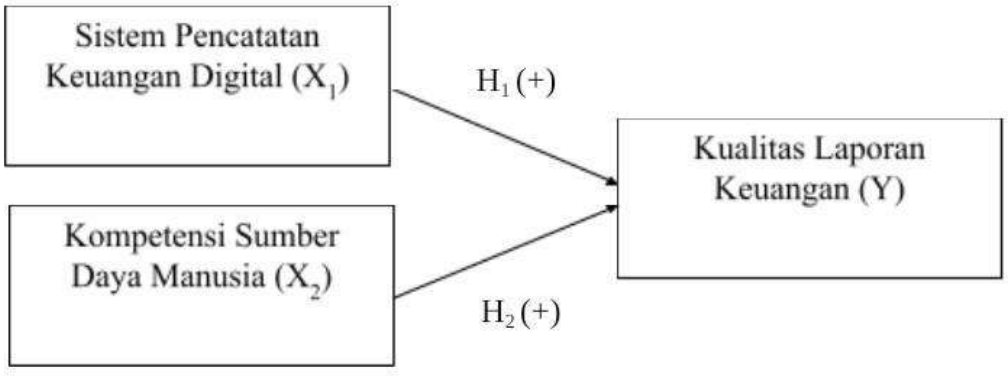


Figure 1. Framework of Thought

This study examines the influence of the digital financial recording system on the quality of financial reports through the first hypothesis (H1) and the influence of human resource competency on the quality of financial reports through the second hypothesis (H2).

Research Methods

Research Design

The research design used is an explanatory research design, defined as research that aims to explain the correlation and influence between independent and dependent variables through hypothesis testing, namely analyzing the influence of the use of a digital financial recording system and HR competency on the quality of MSME financial reports in Bandar Lampung. The approach used in this research is a quantitative approach with numerical data processing using statistical techniques.

Data Types and Sources

The data sources are categorized as primary data obtained by distributing questionnaires related to the research to MSMEs that meet the criteria. Questionnaires were distributed using two methods: online and offline. The online questionnaire was distributed using Google Forms via the link https://forms.gle/3HJ2xjbychmiGdhP8 and shared with respondents online via communication media such as WhatsApp.

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Population and Research Sample

The population of this study was all MSMEs in Bandar Lampung City. The research used purposive sampling, which means the sample was determined based on specific considerations and criteria relevant to the research objectives. The sample size was determined using the inverse square root method based on Partial Least Squares Structural Equation Modeling (PLS-SEM) to determine the minimum sample size based on the smallest path coefficient value estimated to be significant. The formula used at a 5% significance level is:

$$n_{min} \geq (\frac{2,486}{|P_{min}|})^2$$

Information:

n_{min} = minimum sample size

2.486 = constant at 5% significance level

P_{min} = the minimum path coefficient value that is estimated to be significant

In this research, the minimum path coefficient value used is 0.20, so the minimum sample size calculation is:

$$n_{min} \geq (\frac{2,486}{|0,20|})^2$$
$$n_{min} \geq (12,43)^2$$
$$n_{min} \geq 154,50$$

The calculation results were rounded up, so the sample size required for this study was at least 155 respondents. However, during the study, 165 MSMEs were obtained. Therefore, this study used 165 respondents, determined using purposive sampling techniques or established criteria.

Data collection technique

Data collection techniques in this study included literature review, documentation, and questionnaire distribution. The data used was primary data obtained from the questionnaire distribution process.

Variable Measurement

Adopting indicators from various reputable empirical studies, the measurement of financial report quality variables is measured using a Likert scale, namely:

Table 3.Likert Scale Measurement

Answer Options	Score
Strongly Disagree	1
Don't agree	2
Undecided/Neutral	3
Agree	4
Strongly agree	5

Source:(Sugiyono, 2013)

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Structural Model Measurement (Inner Model)

This measurement uses R-Square and significance which is explained below:

1. **Coefficient of Determination Test (R-Square)**

An R-Square value of 0.75 indicates a strong model, a value of 0.50 indicates a moderate model, and a value of 0.25 indicates a weak model. The second structural model is significance. The values used for significance are 1.65 with a significance level of 10%, 1.96 with a significance level of 5%, and 2.58 with a significance level of 1% (Hamid & Anwar, 2019).

2. **Significance Testing and Hypothesis Testing**

The test is conducted to determine whether the independent variable significantly influences the dependent variable. The standard error tolerance limit is 10% (α 0.10). If the significance value is > 0.10, then the Ha hypothesis is accepted and Ho is rejected. If the significance value is < 0.10, then the Ha hypothesis is rejected and Ho is accepted.

Results and Discussion

Respondent Characteristics

Characteristics included business type, length of operation, average annual turnover, financial record keeping, use of digital financial recording systems, and applications or systems used. The study involved 155 MSME respondents.

Characteristics Based on Business Type

The distribution of respondents based on business type can be seen below:

Table 4. Characteristics Based on Business Type

Type of business	Frequency (f)	Percentage (%)
Culinary	71	43.0
Trading	42	25.5
Service	21	12.7
Industry/Production	16	9.7
Other	15	9.1
Total	165	100.0

Based on Table 4, it can be concluded that the majority of respondents were MSMEs operating in the culinary sector (71 respondents (43.0%). Next, respondents were in the trade sector (42 respondents (25.5%), services (21 respondents (12.7%), industry/production (16 respondents (9.7%), and other categories (15 respondents (9.1%). Thus, the characteristics of respondents in the study were dominated by MSMEs operating in the culinary sector.

Characteristics Based on Length of Business

The distribution of respondents based on the length of business can be seen below.

Table 5. Characteristics Based on Length of Business

Length of Business	Frequency (f)	Percentage (%)
1–3 years	63	38.2
3–5 years	35	21.2
> 5 years	67	40.6
Total	165	100.0

Based on Table 5, respondents with a business history of more than 5 years constitute the largest group, with 67 respondents (40.6%). Furthermore, 63 respondents (38.2%) have been running their businesses for 1–3 years, while 35 respondents (21.2%) have been running their businesses for 3–5 years. Thus, all respondents have been running their businesses for at

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least 1 year, with the majority of respondents having businesses that have been running for more than 5 years.

Characteristics Based on Average Annual Turnover

The distribution of respondents based on average annual turnover is shown below:

Table 6. Characteristics Based on Average Turnover per Year

Average Turnover per Year	Frequency (f)	Percentage (%)
< Rp. 300,000,000	88	53.4
Rp300,000,000-Rp2,500,000,000	53	32.1
IDR 2,500,000,000-IDR 50,000,000,000	18	10.9
> Rp. 50,000,000,000	6	3.6
Total	165	100.0

Based on Table 6, most respondents have an average annual turnover of <Rp300,000,000, namely 88 respondents (53.4%). A total of 53 respondents (32.1%) have a turnover of Rp300,000,000-Rp2,500,000,000, 18 respondents (10.9%) have a turnover of Rp2,500,000,000-Rp50,000,000,000, while 6 respondents (3.6%) have a turnover of more than Rp50,000,000,000. Thus, most of the study respondents are in the MSME group with a turnover of less than Rp300,000,000 per year.

Characteristics Based on Financial Recording

The distribution of respondents based on financial records can be seen below:

Table 7. Characteristics Based on Financial Recording

Financial Recording	Frequency (f)	Percentage (%)
Yes	165	100.0
No	0	0.0
Total	165	100.0

Based on Table 7, all respondents stated that their business kept financial records, namely 165 respondents (100.0%).

Characteristics Based on Type of Financial Recording Application Users

Respondents were grouped based on their yes or no responses to the use of applications or systems for financial record-keeping. The distribution of respondents is as follows:

Table 8. Characteristics Based on the Use of Financial Recording Applications

Application/System Usage	Frequency (f)	Percentage (%)
Yes	165	100.0
No	0	0.0
Total	165	100.0

Based on Table 8, all respondents stated that their business uses an application or system for financial recording, namely 165 respondents (100.0%).

Characteristics Based on the Type of Financial Recording Application Used

The distribution of the use of these applications or systems is presented in the following table.

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Table 9. Characteristics Based on the Type of Application Used

Application/System	Frequency (f)	Percentage (%)
Bookshop	48	29.1
Cash Book	44	26.7
Accurate	31	18.8
Journal	17	10.3
Other	25	15.2
Total	165	100.0

Based on Table 9, the application or system most frequently used by respondents is BukuWarung, with 48 respondents (29.1%). Furthermore, 44 respondents (26.7%) use BukuKas, 31 respondents (18.8%) use Accurate, and 17 respondents (10.3%) use Jurnal. Meanwhile, 25 respondents (15.2%) use other applications or systems, such as POS, cashier applications, Excel, and other record-keeping systems.

Coefficient of Determination Test (R-Square)

The results of the coefficient of determination test are as follows

Table 10. Coefficient of Determination (R-Square)

Endogenous Variables	R-Square
Financial Report Quality (Y)	0.809

Based on Table 10, the R-Square value for the Financial Report Quality (Y) variable is 0.809. This means that the Use of a Digital Financial Recording System (X1) and Human Resource Competence (X2) simultaneously explain 80.9% of the variation in the Financial Report Quality of MSMEs in Bandar Lampung. Meanwhile, 19.1% of the variation in Financial Report Quality is explained by factors outside the research model. The R-Square value of 0.809 is above 0.75, so based on the criteria used, the model's ability to explain endogenous variables is categorized as strong.

Significance Testing and Hypothesis Testing

The results of the hypothesis test can be seen as follows:

Table 11. Path Coefficient

Variable Relationship	Original Sample (O)	Sample Mean (M)	STDEV	T-Statistics	P-Values	Information
X1→ Y	0.681	0.679	0.104	6,571	0.000	Supported
X2→ Y	0.250	0.254	0.102	2,460	0.014	Supported

Based on the table above, the results of the path coefficient test can be explained as follows:

1. The Effect of Using a Digital Financial Recording System (X1) on the Quality of Financial Reports (Y)

The test results concluded that the Use of a Digital Financial Recording System (X1) has a path coefficient value of 0.681 with a t-statistic value of 6.571 and p-values of 0.000. The t-statistic value is greater than 1.96 and the p-value is less than 0.05. Thus, the Use of a Digital Financial Recording System has a positive and significant influence on the Quality of Financial Reports. The path coefficient value of 0.681 indicates that the direction of the relationship between X1 and Y is positive. This means that the better the use of a digital financial recording system in MSMEs, the better the resulting financial reports will be. Based on these results, H1 is accepted and H0 is rejected.

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2. The Influence of Human Resource Competence (X2) on the Quality of Financial Reports (Y)

The results of this test indicate that Human Resource Competence (X2) has a path coefficient value of 0.250 with a t-statistic value of 2.460 and a p-value of 0.014. The t-statistic value is greater than 1.96 and the p-value is less than 0.05. Thus, Human Resource Competence also has a positive and significant influence on the Quality of Financial Reports.

The path coefficient of 0.250 indicates a positive relationship between Human Resource Competence and Financial Report Quality. It can be concluded that the more competent the human resources of MSMEs, the better the quality of their financial reports. Based on these results, H2 is accepted and H0 is rejected.

Discussion

The Impact of Using a Digital Financial Recording System on the Quality of MSME Financial Reports

Based on the results of the path coefficient test, the Use of a Digital Financial Recording System (X1) has a path coefficient value of 0.681, t-statistics of 6.571, and p-values of 0.000. The t-statistics value is greater than 1.96 and p-values are smaller than 0.05, so the use of a digital financial recording system is proven to have a positive and significant influence on the quality of MSME financial reports. The path coefficient value of 0.696 proves that the relationship between X1 and Y has a positive direction. Thus, the better the use of a digital financial recording system, the better the quality of MSME financial reports. Based on these results, H1 is accepted.

According to the researchers, the strong influence of X1 on Y can be attributed to the condition of the research respondents. All 165 respondents have used financial recording applications or systems, with the most widely used applications being BukuWarung and BukuKas. In addition, the mean value of X1, which is in the range of 4.127–4.315, indicates that the use of digital financial recording systems is highly valued by respondents. This condition proves that technology has become part of the financial recording activities of MSMEs. The implication of this research result is that MSMEs need to maintain and improve the use of digital financial recording systems. The use of applications should not only be done to record sales transactions, but also include expenses, operational costs, assets, liabilities, and other transactions related to business activities. Local governments and MSME support institutions can also develop digitalization programs with training on the use of financial recording applications.

The Influence of Human Resource Competence on the Quality of MSME Financial Reports

The results of the path coefficient test concluded that Human Resource Competence (X2) has a path coefficient value of 0.250, t-statistics of 2.460, and p-values of 0.014. The t-statistics value is greater than 1.96 and p-values are less than 0.05. Thus, Human Resource Competence has a significant positive influence on the Quality of MSME Financial Reports. The path coefficient value of 0.260 indicates that the relationship between X2 and Y has a positive direction. This means that the more competent the human resources, the better the quality of MSME financial reports. Based on these results, H2 is accepted.

According to researchers, the influence of human resource competency on the quality of financial reports can occur because all respondents have used a digital financial recording system. The use of this technology requires human skills to operate the system and ensure that

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the data entered corresponds to actual transactions. The average value of the X2 indicator, which ranges from 4.127 to 4.261, also indicates that respondents gave a relatively high rating to workforce competency. The implications of this research prove that improving the quality of financial reports is not sufficient only through the provision of digital applications. MSMEs also need to improve the capabilities of the workforce responsible for financial recording and management. Training can include basic understanding of accounting, transaction recording, use of financial applications, preparation of financial reports, and interpretation of financial information.

Ability to Use Digital Financial Recording Systems and Human Resource Competence in Explaining the Quality of Financial Reports

Based on the results of the determination coefficient test, an R-Square value of 0.809 was obtained. This indicates that the Use of Digital Financial Recording Systems and Human Resource Competence simultaneously explain 80.9% of the variation in the Quality of MSME Financial Reports, while 19.1% is explained by factors outside the research model. The R-Square value of 0.809 is above 0.75, making it a strong category based on the criteria used in the study. According to the researcher, the high R-Square value of 0.809 may be influenced by the characteristics of the respondents, all of whom have recorded their finances and used digital applications or systems. In addition, the average value of the use of digital financial recording systems and HR competencies is also at a high level.

However, 19.1% of the variation in financial report quality stems from factors outside the model. Therefore, the quality of MSME financial reports can be influenced by other factors such as the application of accounting standards, financial literacy, internal control, business scale, business experience, and other managerial factors. The implication of this research is that strategies to improve the quality of MSME financial reports must be implemented in an integrated manner. Local governments, universities, financial institutions, and MSME support agencies can develop training programs that combine financial literacy, accounting competency, and digital skills.

Conclusion and Recommendation

This study concludes that the use of digital financial recording systems and human resource competence have positive and significant effects on the quality of MSME financial reports in Bandar Lampung City. The use of digital financial recording systems has a positive and significant effect, with a path coefficient of 0.681, a t-statistic of 6.571, and a p-value of less than 0.001. Similarly, human resource competence has a positive and significant effect, with a path coefficient of 0.250, a t-statistic of 2.460, and a p-value of 0.014. Furthermore, the R-square value of 0.809 indicates that both independent variables explain 80.9% of the variation in financial report quality, while the remaining 19.1% is explained by other factors outside the research model. These findings highlight the importance of integrating digital financial recording systems with adequate human resource competence to improve the accuracy, reliability, and accountability of MSME financial reports.

MSMEs are encouraged to optimize digital financial recording systems and improve their human resource competence through accounting and financial management training. Local governments and MSME support institutions should provide integrated training and mentoring programs to strengthen digital financial literacy and accounting skills. However, this study is limited by the use of purposive sampling and its geographical focus on MSMEs in Bandar Lampung City, which may limit the generalizability of the findings. Therefore, future researchers are encouraged to expand the geographical coverage, involve more diverse samples, and consider probability sampling techniques where feasible. They may also include other relevant variables, such as financial literacy, the implementation of SAK EMKM, internal control systems, business scale, and business experience, to provide a more comprehensive understanding of the factors influencing MSME financial report quality.

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