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The influence of human resource competence, accounting digitalization, and internal control on the quality of financial statements of MSMEs in Gunungpuyuh District, Sukabumi City

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ABSTRACT

This study aims to assess the impact of “Human Resource Competence, Accounting Digitalization, and Internal Control on the Quality of Financial Reports for micro, small, and medium enterprises (MSMEs) in the Gunungpuyuh District of Sukabumi City”. The quality of financial reports plays a crucial role for MSMEs, as it supports accurate decision-making, ensures business operational continuity, and facilitates access to external funding sources. This study employs a quantitative approach through survey methods and multiple linear regression analysis, which allows for the measurement of the intensity and significance of the relationships between the independent and dependent variables. Data were collected from 100 respondents who are MSME actors in the Gunungpuyuh District, representing various business sectors and scales, thus providing a comprehensive view of the local MSME landscape. The research findings indicate that “Human Resource Competence, Accounting Digitalization, and Internal Control each have a positive and significant partial effect on the Quality of Financial Reports, with significance values of 0.001, 0.004, and 0.001, respectively. Collectively, these three independent variables also significantly influence the Quality of Financial Reports, as evidenced by the F-test with a significance value of 0.000. The coefficient of determination indicates that 82.4% of the variation in the Quality of Financial Reports can be explained by this research model, while the remaining 17.6% is influenced by other factors not addressed in this study”. To improve financial management practices among MSMEs in this region, targeted interventions are needed in three areas: human resource competency, effective accounting digitization, and internal control. This will help enhance the quality of financial reports for MSMEs.

Keywords: Human Resource Competence; Accounting Digitalization; Internal Control; Financial Statement Quality

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1. INTRODUCTION

The economic foundation of Indonesia rests on the shoulders of micro, small, and medium-sized enterprises (MSMEs), which are vital to the country's GDP and job markets. (Cano et al., 2017) defines small businesses as productive businesses run independently by individuals or business entities, while medium-sized businesses have assets or sales in accordance with statutory provisions. The rapid growth of MSMEs demonstrates their role as a pillar of the economy during crises and a driver of local economic development.

However, in the digital era, many MSME players still experience difficulties in financial management and reporting due to the lack of utilization of accounting technology (Herman et al., 2025). Low financial literacy and weak internal control systems also contribute to the inaccuracy of financial reports, so that limited knowledge and technology remain the main obstacles in producing reliable financial information that can be used as a basis for decision making.

High-quality financial reports play a crucial role in supporting decision-making processes, obtaining funding, and complying with regulatory requirements. Disorganized manual recording is prone to errors and data loss, especially if digital technology is not utilized (Zahara & Rayyan Firdaus, 2025). The lack of digitization in accounting causes MSME financial management to be inefficient, non-transparent, and limits access to the digital financial ecosystem. In fact, digital accounting has been proven to increase efficiency, transparency, and trust (Lubis et al., 2025). Therefore, accounting digitization is considered a strategic solution to improve the quality of financial reports (Rahmayana et al., 2023). In Gunungpuyuh District, Sukabumi City, there are 133 MSME operating in various sectors and playing an important role in the regional economy. However, many MSME players in Gunungpuyuh District still experience difficulties in preparing financial reports that comply with applicable accounting standards. Good financial reports should be understandable, relevant, reliable, and comparable (Leunupun et al., 2022).

Low human resource competence, especially in accounting and financial management, is one of the main factors causing the quality of MSME financial reports to be less than optimal. Human resource (HR) competence is a crucial element that includes skills, knowledge, and the ability to perform tasks effectively. HR with a good understanding of accounting can record transactions systematically, compile financial reports more accurately, and reduce the possibility of recording errors. As evidenced by Ramadhan et al. (2023), who found a significant influence of HR competency on the quality of financial reports.

Advances in information technology have driven the implementation of accounting digitization, which facilitates transaction recording and improves the efficiency and accuracy of financial reports. However, the level of adoption of accounting digitization in MSMEs, particularly in Gunungpuyuh District, Sukabumi City, is still relatively low due to limited digital literacy, access to technology, and a lack of adequate training (Fedrick Louis Saragih et al., 2024).

The low utilization of accounting digitization weakens the internal control of MSMEs, because the process of recording, monitoring, and verifying transactions is still done manually and is not integrated, thereby increasing the risk of errors and delays in reporting. Conversely, digital accounting strengthens internal control through automatic recording, access restrictions, and audit trails. With the support of improved human resource competencies, accounting digitization is expected to produce more reliable, transparent, and standard-compliant financial reports, as well as support decision-making and the sustainability of MSMEs in Gunungpuyuh District, Sukabumi City.

Weaknesses in internal control are also an obstacle for MSMEs in Sukabumi City because they can cause irregularities in recording, weak supervision of transactions, and an increased risk of errors and fraud in financial reports. Research by (Lestari et al., 2025) and (Dewi et al., 2025) shows that good internal control has a significant effect on improving the quality and reliability of financial reports. Weak internal control is generally influenced by limited human resource competencies and low utilization of digital accounting, so the implementation of accounting digitization supported by competent human resources is expected to strengthen internal control and improve the quality of MSME financial reports in a sustainable manner.

In light of the above, it is crucial to examine how human resource competency, accounting digitalization, and internal control affect the accuracy of financial reports prepared by MSME in the Gunungpuyuh District of Sukabumi City. enterprises (MSME) in the Gunungpuyuh District of Sukabumi City.

It is hoped that the results of this study can contribute to the development of an MSME financial reporting system that is more accountable, efficient, and able to adapt to technological advances in the digital era.

2. LITERATURE REVIEW

2.1. Human Resource Competency (X1)

Human resource competency is an individual's ability to perform tasks effectively and efficiently through mastery of knowledge, skills, and work abilities. According to (Ardiana & Brahmayanti, 2020), competency is a basic characteristic related to effective performance in a particular job. Competency consists of three main aspects, namely knowledge, skills, and abilities. Human resources with high competency are able to work more efficiently and achieve targets, while low competency can reduce productivity. Therefore, human resource competency plays an important role in improving performance and achieving organizational goals.

2.2. Accounting Digitalization (X2)

The term digitization of accounting describes the incorporation of digital tools into accounting software to improve reporting quality, timeliness, and accuracy. As explained by (Rahmayana et al., 2023), this process enables the automatic and immediate recording of transactions, which in turn reduces the risk of human error and accelerates the preparation of financial statements. Particularly in the context of MSME, accounting digitalization facilitates financial management through structured recording applications. Nevertheless, its implementation still faces challenges such as low levels of digital literacy and limited access to technology (Fedrick Louis Saragih et al., 2024).

2.3. Internal Control (X3)

Internal control is a system designed to provide reasonable assurance that an organization's activities are conducted effectively, efficiently, and in alignment with predetermined objectives. As noted by (Hanifah et al., 2023), the rules and processes put in place by management to guarantee the attainment of organizational objectives make up the internal control system. The Treadway Commission's Committee of Sponsoring Organizations is of the opinion that (COSO, 2013; Zahara et al., 2024), the components of internal control include data and communication, monitoring, control actions, risk assessment, and the control environment. Improved financial reporting, less likelihood of fraud and mistakes, and more responsibility for actions taken by the company are all benefits of a well-established system of internal controls.

2.4. Financial Statement Quality (Y)

The quality of financial reports encompasses the accurate and honest presentation of financial data, serving as a reliable foundation for decision-making. These reports are responsible for conveying essential economic information to stakeholders and demonstrating compliance with accounting principles. Government Regulation No. 71 of 2010 states that in order to show the financial status in a transparent and informative way, high-quality financial reports must exhibit the traits of relevance, dependability, comparability, and simplicity of understanding.

2.5. Relationship Between Variables

2.5.1. Relationship between Human Resource Competence (X1) and Financial Statement Quality (Y)

As stated by [Sriningsih et al. \(2024\)](#), owners or managers of MSME who possess adequate accounting knowledge are more likely to produce higher quality financial statements. The following research hypothesis is developed from the statement that was made earlier:

H₁ (**Hypothesis 1**): Human resource competence has a positive and significant impact on the quality of financial statements of MSMEs in the Gunungpuyuh District, Sukabumi City.

2.5.2. The Relationship between Accounting Digitalization (X2) and Financial Statement Quality (Y)

Accounting digitization plays an important role in improving the quality of financial reports through automation in data recording and processing, thereby reducing errors, speeding up report preparation, and increasing the accuracy and transparency of financial information ([Rainata & Lombogia, 2025](#)). Real-time data access also supports more accurate decision-making, although challenges related to data security and human resource readiness must still be considered. Therefore, the more optimal the implementation of accounting digitization, the higher the quality of the financial reports produced. The following research hypothesis is developed from the statement that was made earlier:

H₂ (**Hypothesis 2**): Accounting digitization has a positive and significant effect on the quality of financial reports for SMEs in Gunungpuyuh District, Sukabumi City.

2.5.3. The Relationship between Internal Control (X3) and Financial Statement Quality (Y)

Internal control system plays a vital role in minimizing errors and discrepancies, ultimately enhancing the quality of financial reports. Therefore, it can be inferred that, “internal control positively influences the quality of financial reports for micro, small, and medium enterprises (MSMEs) in the Gunungpuyuh District of Sukabumi City”. The following research hypothesis is developed from the statement that was made earlier:

H₃ (**Hypothesis 3**): Internal control has a positive and significant impact on the quality of financial reports of MSMEs in the Gunungpuyuh District of Sukabumi City.

2.5.4. The Simultaneous Relationship between Human Resource Competence, Accounting Digitalization, and Internal Control with Financial Statement Quality (Y)

Simultaneously, the competencies of human resources, the digitalization of accounting, and internal controls play a crucial role in enhancing the quality of financial reports for micro, small, and medium enterprises (MSMEs) through effective management, accurate and efficient record-keeping, and supervision that adheres to established procedures ([Ramadhan et al., 2023](#); [Rainata & Lombogia, 2025](#)). The following research hypothesis is developed from the statement that was made earlier:

H₄ (**Hypothesis 4**): Human Resource Competence, Accounting Digitalization, and Internal Control have a positive and significant impact on the Quality of Financial Reports of MSMEs in Gunungpuyuh District, Sukabumi City.

2.6. Research Model

This research framework elucidates the relationship among human resource competencies (X1), accounting digitalization (X2), and internal control (X3) in relation to the quality of financial reports (Y). It is assumed that these three independent variables exert influence both partially and simultaneously on the quality of financial reports for MSMEs in the Gunungpuyuh District of Sukabumi City. See [Figure 1](#)

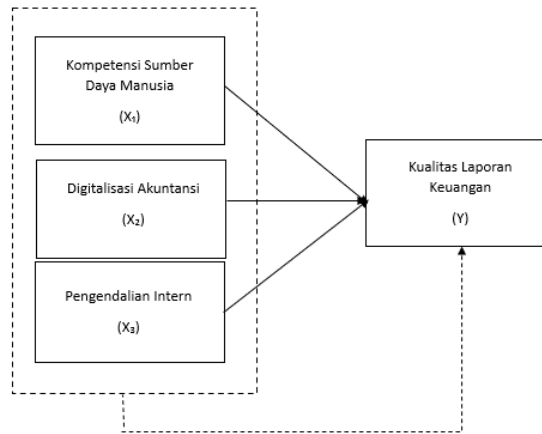


Figure 1. Research Model

3. METHOD

3.1. Research Location

The study was carried out in the Gunungpuyuh District of Sukabumi City. The location was chosen because of the MSMEs' steady expansion and the substantial impact they have on the local economy. This city is regarded as an appropriate example to illustrate the actual conditions of managing small and medium-sized businesses in an urban environment.

3.2. Population

The research population consists of all MSMEs operating in the Gunungpuyuh District of Sukabumi City, totaling 133 business units. This population encompasses various economic sectors, including trade, services, culinary, and creative industries, which are vital components of the local community's economic activities.

3.3. Sample

With a 5% margin of error, 100 responders make up the sample size specified by Slovin's calculation. The sampling technique employed is purposive sampling, with criteria focusing on MSMEs that have been operational for at least one year and maintain a financial recording system, whether manually or digitally, to ensure that the data collected aligns with the research objectives.

3.4. Research Analysis Tools

Human resource competency, accounting digitalization, internal control, and financial report quality are the study factors that were operationally defined and used to construct a questionnaire. There are indications for each variable, and they are evaluated on a Likert scale from 1 to 5. The questionnaire was tested for validity and reliability before it was distributed to make sure it was a legitimate tool.

3.5. Data Analysis Method

This research employs a quantitative approach to test hypotheses through the analysis of numerical data using statistical techniques (Sugiyono, 2023). This study examines the relationship between the quality of financial reports produced by MSMEs in Gunungpuyuh District, Sukabumi City, and factors such as human resource competency, accounting digitalization, and internal control. SPSS software is used for data analysis. Classical assumption tests, such as those for heteroscedasticity, multicollinearity, and normalcy, are run before the regression analysis is carried out. Afterwards, the capacity of independent variables to explain the dependent variable, partial and simultaneous effects, and hypothesis testing are determined using t-tests, F-tests, and the coefficient of determination (R^2).

4. RESULT

4.1. Demographics

It is clear from the statistics that most of the respondents are between the ages of 31 and 40 (48.50%), followed by the age group of 20-30 years (42.60%), while respondents over 40 years of age account for 8.90%. These results indicate that the primary respondents are from the productive age group (Table 1).

Table 1. Respondents Based on Age

Age	Percentage
20 - 30 Years	42.60
31 - 40	48.50
> 40 years	8.90

In addition, based on gender, the results show that the majority of respondents are female (54.50%), while male respondents account for 45.50%. Therefore, female respondent participation is slightly higher than male participation (Table 2).

Table 2. Respondents by Gender

Gender	Percentage
Male	45.50%
Female	54.50%

Furthermore, based on the type of business, respondents were dominated by the culinary sector with a percentage of 41.60%, followed by the fashion sector at 36.60%, and the service sector at 21.80%. This condition indicates that the characteristics of the respondents in this study largely represent MSME players in the culinary and fashion sectors. See Table 3

Table 3. Respondents Based on Business Type

Type of Business	Percentage
Culinary	41.60
Fashion	36.60%
Services	21.80%

Based on business duration data, the majority of respondents have been running their businesses for 4-7 years (43.60%), followed by 1-3 years (38.60%). Meanwhile, businesses that have been operating for 8-10 years account for 12.90% and those that have been operating for more than 10 years account for 5%. See Table 4

Table 4. Respondents Based on Business Duration

Business Duration	Percentage
1 - 3 Years	38.60
4 - 7 Years	43.60
8 - 10 Years	12.90
> 10 Years	5

Meanwhile, the scale of respondents' businesses was dominated by small businesses with a percentage of 40.60%, followed by micro businesses at 32.70%, and medium businesses at 26.70%. This shows that most respondents fall into the small business category (Table 5).

Table 5. Respondents Based on Business Scale

Business Scale	Percentage
Micro	32.70
Small	40.60
Medium	26.70

4.2. Descriptive Analysis

Descriptive analysis requires data from valid respondents, measured using a well-defined scale, and includes basic information such as minimum, maximum, mean, and standard deviation (Table 6).

Table 6. Descriptive Analysis

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Human Resource Competency	100	10.00	20.00	17.31	2.07776
Accounting Digitalization	100	10	20.00	17.38	2.02400
Internal Control	10	10.00	20.00	17.42	1.93417
Financial Statement Quality	100	10.00	20.00	17.86	1.73508
Valid N (listwise)	10				

The results of descriptive statistical analysis show that all variables have high mean values (above 17), indicating that respondents' assessments tend to be positive. Respondents' responses are consistent and do not differ much, as seen by the tiny standard deviation numbers.

4.3. Instrument Test Results Validity Test

The purpose of the validity test is to determine whether the questionnaire statements provide reliable measurements of the study variables. At the 0.05 level of significance, a statement is determined to be legitimate if the computed r-value is greater than the table r-value, suggesting a statistically significant correlation between the statement's scores and the total variable scores (Table 7)

Table 7. Validity Test

Variable	Question Item	Calculated R	R Table	Description
Human Resource Competency (X1)	X1.1	.754	0.1966	VALID
	X1.2	.720	0.1966	VALID
	X1.3	.662	0.1966	VALID
	X1.4	.688	0.1966	VALID
Accounting Digitization (X2)	X2.1	.671	0.1966	VALID
	X2.2	.700	0.1966	VALID
	X2.3	.685	0.1966	VALID
	X2.4	.704	0.1966	VALID
Internal Control (X3)	X3.1	.754	0.1966	VALID
	X3.2	.701	0.1966	VALID
	X3.3	.618	0.1966	VALID
	X3.4	.715	0.1966	VALID
Financial Statement Quality (Y)	Y.1	.691	0.1966	VALID
	Y.2	.784	0.1966	VALID
	Y.3	.682	0.1966	VALID
	Y.4	.664	0.1966	VALID

Based on the validity test results, all items in the Human Resource Competency, Accounting Digitization, Internal Control, and Financial Statement Quality variables showed a calculated r value

greater than the table r (0.1966). Therefore, each statement item is considered valid because it meets the validity criteria and can accurately represent the variables being studied, so it can be used in the research.

4.4. Reliability Test

The purpose of the reliability test was to determine how consistently respondents answered each question in the survey. In most cases, a Cronbach's Alpha value of > 0.60 is considered the crucial limit beyond which a variable is not regarded as dependable. The higher the Cronbach's Alpha value, the better the reliability of the research instrument (Table 8).

Table 8. Reliability test

No	Variable	Cronbach's Alpha		Critical Threshold	Description
1	Human Resource Competency (X1)	0.645	>	0.60	Reliability
2	Accounting Digitalization (X2)	0.627	>	0.60	Reliable
3	Internal Control (X3)	0.632	>	0.60	Reliable
4	Financial Statement Quality (Y)	0.665	>	0.60	Reliable

Based on the results of the reliability testing, the variables of Human Resource Competence, Accounting Digitalization, Internal Control, and Financial Reporting Quality each exhibit Cronbach's Alpha values that exceed the critical threshold. The study instrument has a high level of consistency and is eligible for further examination, since all of these variables are judged dependable.

4.5. Classical Assumption Test

4.5.1. Normality Test

To determine whether the regression model's residual values follow a normal distribution, one does the normality test of residuals. Because it affects the reliability of statistical tests and the inferences made from the regression model, the normality of residuals is an essential assumption in linear regression analysis (Figure 2).

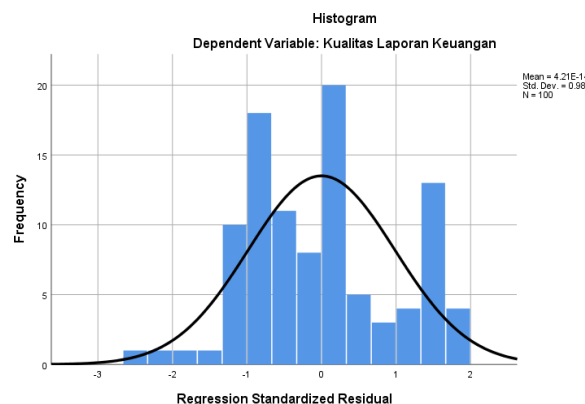


Figure 2. Histogram

The standardized histogram of the residuals exhibits a pattern closely resembling a normal distribution, characterized by a bell-shaped curve that is fairly symmetrical around the zero value. The mean value approaching 0 and a standard deviation nearing 1 indicate that, “the residuals are normally distributed, thereby allowing the assumption of normality in the regression model to be considered satisfied”.

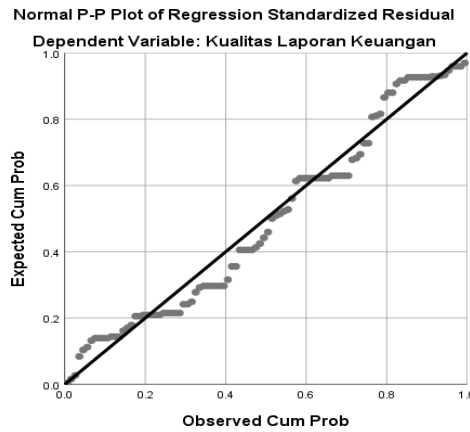


Figure 3. Normal P-P Plot

Standard regression residual points seem to be dispersed and follow the diagonal line according to the Normal P-P plot (Figure 3). This confirms that the normalcy assumption of the regression model has been met, as the residuals' distribution pattern is very near to a normal distribution.

Table 9. One-Sample Kolmogorov-Smirnov Test

Component	Statistic	Unstandardized Residual
N		100
Normal Parameters	Mean	0.000000
Normal Parameters	Std. Deviation	0.58328162
Most Extreme Differences	Absolute	0.106
Most Extreme Differences	Positive	0.106
Most Extreme Differences	Negative	-0.090
Test Statistic		0.106
Asymp. Sig. (2-tailed)		.008
Monte Carlo Sig. (2-tailed)	Sig.	.196
99% Confidence Interval	Lower Bound	0.186
99% Confidence Interval	Upper Bound	0.206

Notes:

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. Based on 10,000 sampled tables with starting seed 299883525.

Table 9 shows an Asymp. Sig. value of 0.008, indicating that the residuals are not normal. However, with a large sample size, the reference used is Monte Carlo Sig. of 0.196 (>0.05), so it can be concluded that “the residuals are normally distributed and the assumption of normality is satisfied”.

4.5.2. Multicollinearity Test

One way to check whether the independent variables in a regression model are highly correlated is to run a multicollinearity test. If the VIF is less than 10 and the Tolerance is larger than 0.10, it means that the regression model is free from multicollinearity.

Table 10. Multicollinearity Test

Model	Variable	Tolerance	VIF
1	(Constant)		
	Human Resource Competency	0.170	5.873
	Accounting Digitization	0.319	3.138
	Internal Control	0.137	7.306

Dependent Variable: Financial Statement Quality

Based on the results of the multicollinearity analysis (Table 10), the Tolerance values for the variables of Human Resource Competence, Accounting Digitalization, and Internal Control each exceed 0.10, while the VIF values remain below 10. This means that the independent variables are not multicollinear, which means that the regression model may be used in further investigations.

4.5.3. Heteroscedasticity Test

In the examination of heteroskedasticity, the requirements that must be satisfied include the random distribution of residual points, which should not form any specific pattern, and should be randomly scattered above and below the zero line. When these requirements are satisfied, it follows that the regression model follows the homoskedasticity assumption and that heteroskedasticity does not exist (Figure 4).

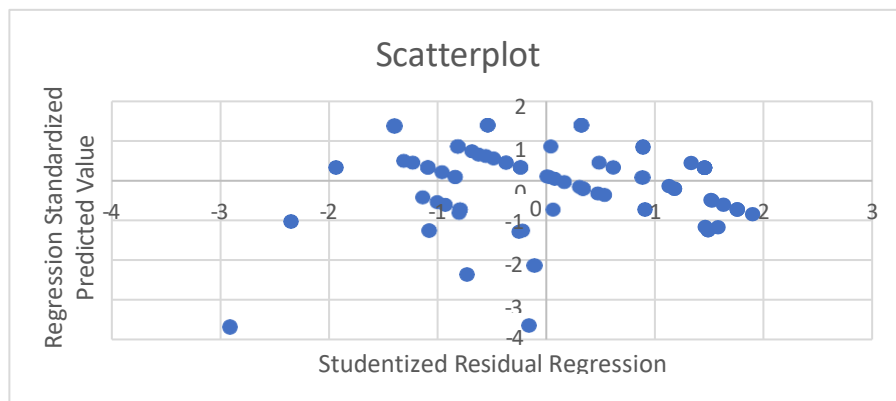


Figure 4. Heteroscedasticity Test Grap

Heteroscedasticity test scatterplot points show that residuals are not arranged in any particular pattern and are instead distributed randomly above and below the zero line. This disproves the heteroscedasticity hypothesis and provides support for the classical regression model.

4.5.4. Multiple Linear Regression Test

Multiple linear regression testing necessitates data that satisfies certain assumptions, including the normality of residuals, the absence of multicollinearity, the absence of heteroscedasticity, and the presence of a linear relationship between independent and dependent variables. If all these assumptions are met, the regression model can be employed to test hypotheses. See Table 11

Table 11. Multiple Linear Regression Test

Model	Variable	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	6.143	0.553		11,102	0.000		
	Human Resource Competency	0.235	0.069	0.346	3.381	0.001	0.170	5.873
	Accounting Digitization	0.155	0.052	0.222	2,972	0.004	0.319	3.138
	Internal Control	0.285	0.083	0.391	3.424	0.001	0.137	7.306

Dependent Variable: Financial Statement Quality

This regression equation was derived from the results of the multiple linear regression analysis:
 $Y = 6.143 + 0.235X_1 + 0.155X_2 + 0.285X_3$

The constant value of 6.143 indicates that when Human Resource Competency, Accounting Digitalization, and Internal Control have a value of zero, Financial Statement Quality reaches 6.143. The regression coefficients for each variable show positive values, indicating that any increase in Human Resource Competence, Accounting Digitalization, and Internal Control will contribute to an increase in Financial Statement Quality, assuming that other variables remain constant.

4.5.5. Partial Model Feasibility Test (T-test)

Each independent variable's effect on the dependent variable may be examined using the t-test. If the t-value is greater than the crucial t-value at the selected significance level or if the significance value (Sig.) is less than 0.05, then the variable is deemed to have a significant influence.

Table 12. T Test

MODEL	VARIABLE	B	STD. ERROR	BETA	T	SIG.
1	(Constant)	6.143	0.553		11,102	0.000
	Human Resource Competency	0.235	0.069	0.346	3.381	0.001
	Accounting Digitalization	0.155	0.052	0.222	2,972	0.004
	Internal Control	0.285	0.083	0.391	3.424	0.001

Dependent Variable: Financial Statement Quality

Based on the results of the t-test analysis (Table 12), the variables of Human Resource Competence, Accounting Digitalization, and Internal Control each exhibited significance values of 0.001, 0.004, and 0.001, all of which are below the threshold of 0.05. These findings indicate that, “all three variables have a positive and significant partial effect on the Quality of Financial Reports”.

4.5.6. Simultaneous Model Feasibility Test (F Test)

To determine whether all independent factors have an effect on the dependent variable, the F test is used. A regression model is deemed adequate if the significance value (Sig.) is less than 0.05 or if the calculated F value exceeds the tabulated F value (Table 13).

Table 13. F Test

Model	Source	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	163.314	3	54,438	155,161	.000
	Residual	33,682	96	0.351		
	Total	196,995	99			

Dependent Variable: Financial Statement Quality

The computed F-value reached 155.161 with a significance level of 0.000, which is less than 0.05, according to the F-test analysis. This finding indicates that, “Human Resource Competence, Accounting Digitalization, and Internal Control collectively have a significant impact on the Quality of Financial Reports, thus the regression model is deemed adequate for application”.

4.5.7. Coefficient of Determination

Coefficients of determination range from 0 to 1, and they are used to measure how much variance in the dependent variable can be explained by the independent factors. As the value approaches 1, it indicates that the model provides a better explanation for the dependent variable. See Table 14

Table 14. Results of the Coefficient of Determination Test

Model	R	R Square	Adjusted R-Square	Std. Error of the Estimate
1	.911	0.829	0.824	0.59233

- a. Predictors: (Constant), Internal Control, Accounting Digitization, Human Resource Competence
- b. Dependent Variable: Financial Statement Quality

Based on the analysis conducted, the Adjusted R Square value was recorded at 0.824, indicating that, “82.4% of the variation in Financial Statement Quality can be explained by Human Resource Competence, Accounting Digitization, and Internal Control, while the remaining 17.6% is influenced by other factors outside the research model”.

5. DISCUSSION

5.1. Human Resource Competency has a significant effect on the Quality of Financial Statements of MSMEs in Gunungpuyuh District, Sukabumi City

The first hypothesis (H₁) indicates that, “Human Resource Competence has a positive and significant impact on the Quality of Financial Reports”. The better the knowledge, skills, understanding, and abilities possessed by business actors, the higher the quality of the financial reports produced, as transaction recording can be carried out systematically and accurately. This finding aligns with the research results of [Hermanto et al. \(2022\)](#) and [Ramadhan et al. \(2023\)](#), which emphasize that, “human resource competence in the field of accounting plays a crucial role in generating relevant and reliable financial reports for SMEs”.

5.2. The Digitization of Accounting Has a Significant Impact on The Quality of MSME Financial Reports

5.2.1. Gunungpuyuh District, Sukabumi City

The second hypothesis (H₂) posits that, “Accounting Digitalization has a positive and significant impact on the Quality of Financial Reports”. This happens because the procedure makes financial data more accurate, precise, and reliable. Improved financial statements are the end result of switching to digital accounting systems, which make it easier to record transactions and provide organized reports. This finding is consistent with the research results of [Lestari et al. \(2025\)](#) which affirm that accounting digitalization positively and significantly affects the quality of financial reports for SMEs.

5.2.2. Internal Control has a significant effect on the Quality of Financial Statements of SMEs in Gunungpuyuh District, Sukabumi City

The third hypothesis (H₃) posits that, “Internal Control has a positive and significant impact on the quality of financial reports produced, as it ensures the accuracy of records, prevents errors and fraud, and guarantees compliance with procedures”. In the context of accounting digitalization, internal control becomes more effective through automated systems such as access restrictions and audit trails. This finding aligns with the research conducted by ([Ramadhan et al., 2023](#)) which indicates that internal control systems significantly influence the quality of financial reports.

5.2.3. Human Resource Competence, Accounting Digitalization, and Internal Control have a significant effect on the Quality of Financial Statements of MSMEs in Gunungpuyuh District, Sukabumi City

The fourth hypothesis (H₄) indicates that, “Human Resource Competence, Accounting Digitalization, and Internal Control have a positive and significant effect on the Quality of Financial Statements of MSMEs in Gunungpuyuh District, Sukabumi City”. This shows that the quality of financial statements is the result of synergy between HR Competence, Accounting Digitalization, and Internal Control that are implemented in an integrated manner. In the context of accounting digitization, internal control becomes more effective and less complicated than in manual systems because it is supported by automatic mechanisms such as access restrictions, audit trails, and data validation, thereby minimizing errors and improving compliance. These findings are in line with previous studies which state that reliable financial reports are the result of a combination of executive competence, accounting digitization system support, and adequate internal control ([Lestari et al., 2025](#); [Ramadhan et al., 2023](#)).

6. CONCLUSION

Based on the results of research and analysis on “the impact of Human Resource Competence, Accounting Digitization, and Internal Control on the Quality of MSME Financial Statements in Gunungpuyuh District, Sukabumi City”. Human resource competence has been proven to play a crucial

role in improving the accuracy and reliability of financial statements, because MSME actors who have accounting knowledge and skills can record systematically and in accordance with standards. Accounting digitization also has a significant impact because it can improve the efficiency, precision, and accuracy of financial information through automated recording and reporting processes. In addition, effective internal control can minimize errors and fraud and ensure compliance with applicable procedures, especially when supported by a digital accounting system. Overall, the synergy between human resource competencies, the use of accounting technology, and adequate internal controls results in more reliable, relevant, and credible SME financial reports, so that improving the quality of financial reports requires an integrated and sustainable approach.

Research Limitations

This study has a number of limitations. First, the data obtained through questionnaires is highly dependent on the subjective perceptions of respondents, which can cause bias in the answers. Second, the research object is limited to MSMEs in Gunungpuyuh District, Sukabumi City, so the results of the study cannot be generalized widely. Third, while variables such as internal control, accounting digitalization, and human resource competency have been considered, there are likely more aspects that impact financial statement quality that have not been included in this study.

Recommendations

Given the limitations of this study, future researchers are encouraged to incorporate additional variables that may influence the quality of financial reports for SMEs, such as financial literacy, understanding of accounting standards (SAK EMKM), government support, or more specific utilization of accounting information systems. Subsequent research could also broaden the scope and geographical area of study to enhance the generalizability of the findings. In addition, to fully grasp the difficulties encountered by SMEs while attempting to digitalize their accounting and establish internal controls, it is advised to use qualitative approaches or a mixed-methods strategy. The area of small and medium-sized enterprise (SME) accounting might benefit from more research on the potential mediating or moderating effects of accounting digitalization on the link between human resource competences and the quality of financial reports.

Managerial Implications

The results of this study indicate that improving the quality of MSME financial reports can be achieved by strengthening human resource competencies, implementing accounting digitization, and effective internal control. Therefore, MSME actors need to improve their understanding of accounting and make optimal use of digital accounting applications, as well as implement simple and consistent internal control procedures. These findings can also serve as a basis for local governments in designing MSME development programs that focus on improving competencies and digital literacy.

Ethical Approval

Not Applicable

Informed Consent Statement

Not Applicable

Authors' Contributions

SFPN conceptualized the study, conducted data analysis, and drafted the manuscript. AMH, MA, LA, and YN contributed to data collection, data processing, interpretation of findings, and manuscript revision. All authors have read and approved the final manuscript.

Disclosure statement

The authors declare that there are no relevant conflicts of interest related to this research

Data Availability Statement

The data supporting this study are not publicly available due to privacy considerations but can be provided upon reasonable request from the corresponding author

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