

## Quality of Financial Reporting on UMKM Perpetrators in Bondowoso District

<sup>1</sup>Andrea Meita Gustina\*, <sup>2</sup>Retno Endah Supeni, <sup>3</sup>Achmad Hasan Hafidzi

<sup>1,2,3</sup> Management Studies Program, Faculty of Economics and Business, Muhammadiyah University Jember, East Java, Indonesia.

(\*)Email Correspondence: [andreameita@gmail.com](mailto:andreameita@gmail.com)

---

### Abstract

An optimal level of financial reporting quality is essential to an enterprise, especially Micro, Small and Medium Enterprises (MSMEs). Through good quality financial statements, UMKM can make it easier to plan and make future decisions; a good financial report provides the data necessary for business planning and decision-making. UMKMs can design growth strategies, identify investment opportunities, and address financial challenges with a strong information base. In addition, UMKM can also be easier in obtaining access to funding from financial institutions, which tend to lend to UMKM that can provide a good picture of their financial health. In this study, the researchers conducted a quantitative descriptive survey of 100 UMKM perpetrators responsible for managing financial reports in the Bondowoso district. From the perspective of this research, it is seen that most of the 100 criminals/owners of UMKM in the Bondowosos district have an excellent human resources account and financial literacy. However, many still have not used information technology. The results of the double regression analysis showed the positive impact of human resource competence, financial literacy, and the use of information technology on the quality of financial statements.

**Keywords:** *quality of financial reporting, human resources competence, financial literacy, use of information technology, UMKM*

---

### Abstrak

Tingkat kualitas laporan keuangan yang optimal sangat penting dimiliki oleh suatu usaha, terutama Usaha Mikro, Kecil dan Menengah (UMKM). Melalui tingkat kualitas yang baik pada laporan keuangan, UMKM dapat lebih mudah melakukan perencanaan dan mengambil keputusan di masa yang depan, laporan keuangan yang baik menyediakan data yang diperlukan untuk perencanaan bisnis dan pengambilan keputusan. UMKM dapat merancang strategi pertumbuhan, mengidentifikasi peluang investasi, dan mengatasi tantangan keuangan dengan landasan informasi yang kuat. Selain itu, UMKM juga dapat lebih mudah dalam mendapatkan akses permodalan dari lembaga keuangan, lembaga keuangan cenderung memberikan pinjaman kepada UMKM yang dapat memberikan gambaran yang baik mengenai kesehatan keuangan mereka. Pada penelitian ini, peneliti melakukan studi kuantitatif deskriptif terhadap 100 pelaku/pemilik UMKM yang bertanggungjawab dalam mengelola laporan keuangan di Kabupaten Bondowoso. Dari perspektif hasil penelitian ini, terlihat bahwa mayoritas dari 100 pelaku/pemilik UMKM di Kabupaten Bondowoso memiliki kompetensi sumber daya manusia dan literasi keuangan yang cukup baik, namun masih banyak yang belum memanfaatkan teknologi informasi. Hasil analisis regresi berganda menunjukkan pengaruh positif kompetensi sumber daya manusia, literasi keuangan, dan pemanfaatan teknologi informasi terhadap kualitas laporan keuangan.

**Kata Kunci:** *kualitas laporan keuangan, kompetensi sumber daya manusia, literasi keuangan, pemanfaatan teknologi informasi, UMKM*

## **Intruductions**

Indonesians generally engage in micro, small and medium-sized enterprises (SMEs). To ensure its growth and survival, UMKM needs support and incentives to expand its business opportunities and create more jobs. UMKM contributed significantly to Indonesian economic growth. According to the Ministry of Economic Coordination of the Republic of Indonesia (2022), Indonesian economic growth in 2022 is driven by the contribution of approximately 61 per cent of micro, small and medium-sized enterprises (MSMEs), reaching 5.31 per cent of gross domestic product (GDP). (Badan Pusat Statistik, 2023).

According to information obtained from the Bondowoso co-operative, industrial and trade departments, the number of UMKMs has increased by about 8% yearly. By 2023, the total UMKM in Bondowosos has reached 39,964. The high number of UMKMs underlines the need for entrepreneurs to have good management skills to compete effectively in the global market and grow from small to medium scale. Access to finance and financing plays a role in the development and progress of an enterprise. Typically, the capital required to start a business can come from various sources, including capital from the owners of the company or other parties, such as in the form of loans such as People's Enterprise Credit (KUR) or from investors. Many entrepreneurs rely on KUR as a source of financing. According to the published data

According to the Indonesian Fintech Joint Financing Association (AFPI) on the official website of the Financial Services Authority (2022), out of a total of 64 million UMKM in Indonesia by 2020, about 46.6 million have yet to receive funding from financial institutions. One of the conditions for obtaining KUR from BUMN and private banks is that the business provider must submit a financial report of its transactions over the last 3-6 months. However, the Head of UMKM DiscoperIndag Bondowoso noted that only 10% of the UMKM performs financial reporting.

There are many reasons why the number of UMKMs doing financial reporting is so low; one is their lack of human resource development. Many UMKM players must improve their human resources competence, especially in digitalization, to compete more effectively in the market. Irwan Bachtiar, Deputy Head of Bondowoso, revealed that UMKM perpetrators still face many challenges, especially regarding human resource development. Besides, the rate of UMKM's adoption of information technology in Bondowoso could be higher. Irwan Bachtiar stated that although the number of UMKMs in Bondowoso reached about 39,000 by 2022, they still have not fully mastered the technology.

In addition, according to the National Financial Literacy and Inclusion Survey (SNLIK) in 2022, the percentage of financial literacy of the Indonesian population reached 49.68 per cent; this figure is lower than the financial inclusion index, which reached 85.10 per cent (Service Authority). Finance, 2022. This data indicates the need to increase financial literacy amongst the public, and one way to do it is through education, especially in the field of UMKM. The above phenomenon shows that UMKM perpetrators in the Bondowoso district can be evaluated through SDM competence, financial literature, and information technology. Previous research by Suryanatha D & Ayu (2021) found that information technology and human resource skills correlated positively and significantly with the quality of financial statements. According to Sularsih & Wibisono (2021), financial literacy positively and significantly impacted financial reporting quality.

## **Research Methods**

This research used quantitative and descriptive approaches that were implemented systematically and planned. Quantitative methods refer to data collection in numerical form and statistical analysis to prove the hypothesis already established (Sugiyono, 2018). The descriptive approach is used to

provide an image or explanation of the research object based on the data collected without drawing conclusions that can be considered valid. (Sugiyono, 2018).

The focus of research is a group of objects, referring to the field of generalization involving both objects and subjects.

Quality and special features that have been designated by the researchers for investigation and conclusions can then be drawn (Sugiyono, 2018). In this study, the defined population is the perpetrator/owner of UMKM in the Bondowoso district.

Sugiyono (2018) states that the population of objects selected to represent the whole is only a tiny fraction of the sample. Using samples in research is necessary because research requires only a small fraction of the population. The Cochran formula is used to determine the sample size because of the inability to know the population size accurately.

In order to obtain the necessary data as the basis of the research, researchers collect data from the field by applying the Dispersion research questionnaire. Sugiyono (2018) explains that the questionnaire, also called angket, is a method of data collection involving respondents to answer statements or answer questions.

The researchers used the Likert interval scale to evaluate perspectives, beliefs, and personal and group understanding of social events (Sugiyono, 2018). Researchers will ask respondents questions so that they can provide answers through a previously compiled questionnaire and with the research scale of numbers (1) to (5). Here are the indicators that the researchers used:

Table 1. Variable Indicators

Variabel	Indikator
Kompetensi Sumber Daya Manusia (X <sub>1</sub> )	<ul style="list-style-type: none"> <li>Memiliki kemampuan individu</li> <li>Malekukan pelatihan yang teratur</li> <li>Memiliki pemahaman prosedur dan proses akuntansi (Lusy et al., 2022)</li> </ul>
Literasi Keuangan (X <sub>2</sub> )	<ul style="list-style-type: none"> <li>Memiliki pengetahuan dasar dalam mengelola laporan keuangan</li> <li>Memahami pengelolaan kredit</li> <li>Memahami pengelolaan investasi dan kredit</li> <li>Memahami manaiemen resiko (Alamsyah, 2020)</li> </ul>
Pemanfaatan Teknologi Informasi (X <sub>3</sub> )	<ul style="list-style-type: none"> <li>Melakukan proses kinerja secara elektronik</li> <li>Melakukan pengelolaan informasi menggunakan jaringan internet</li> <li>Mengelola dan penyimpanan data keuangan secara elektronik (Lusy et al., 2022)</li> </ul>
Kualitas Laporan Keuangan (Y)	<ul style="list-style-type: none"> <li>Menyusun laporan keuangan secara teratur sesuai dengan ketentuan</li> <li>Ketepatan waktu penyelesaian laporan keuangan</li> <li>Laporan keuangan yang bisa diandalkan serta dipertanggungjawabkan (Lusy et al., 2022)</li> </ul>

Descriptive analysis techniques are used to decipher data to make it easier to understand. Descriptive analysis is applied to understand society's perception of a particular phenomenon. By doing this analysis, we can identify patterns of research results, whether they are low, moderate, or high. A branch of statistics called descriptive statistics relates to the collection and presentation of data to help people understand and explain current conditions, phenomena, or problems. (Sugiyono, 2018).

## Result

### 1. Test of Research Instruments

Variabel Penelitian	Cronbach's Alpha if item deleted	Standar reliabilitas	Ket
Human Resources Competency (X <sub>1</sub> )	0,789	0,70	Reliabel
Financial Literacy (X <sub>2</sub> )	0,774	0,70	Reliabel
Utilization of Information Technology (X <sub>3</sub> )	0,810	0,70	Reliabel
Quality of Financial Reports (Y)	0,798	0,70	Reliabel

Source: Data processed 2023

Table 2 shows the results of three variables with a Cronbach Alpha value > 0.70 which means the results from the questionnaire have been reliable.

### 2. Double Linear Regression Analysis

The double-linear regression method assesses the influence of one or more independent variables on dependent variables. The main objective of this study is to determine whether there is a functional or causal relationship between the independent variable (X1, X2, X3, etc.) and the dependent variable. (Ghozali, 2018). The following double linear regression equation can be used to describe the results of this analysis:  $Y = 11,862 + 0,318X1 + 0,285X2 + 0,053X3 + e$

From the results of the linear regression analysis above, it is explained that the variables Human Resource Competence (X1), Financial Literacy (X2), and Information Technology Usage (X3) have positive values.

### 3. Normality Test

Ghozali (2018) provides an explanation of the normality test used to determine whether the interfering variable or residual of the regression model follows the normal distribution. If followed by the normal distributions, the validity of the statistical test is questioned, especially on limited samples. The researchers applied a one-sample Kolmogorov-Smirnov test with a 5% significance rate (0.05) to check for normality. This is the result of the normality test:

**Table 3.** Normality Test Results

Variabel	Nilai Kolmogorov Smirnov	Keterangan
<i>Unstandardized Residual</i>	0,200	Berdistribusi Normal

Source: Data processed 2023

According to Table 3, it is proven that the degree of significance or probability of each variable of the study exceeds 0.05, thus indicating whether the data is normal characteristics.

### 4. Multicollinearity Test

Ghozali (2018) explains that this examination aims to determine whether there is a relationship between a free variable and an independent variable in a regression model. In the expected situation, the regression model should not show any correlation. To determine a multicollinearity, we can check the tolerance values and the inflation factor variable (VIF) in the SPSS output by calculating the VIF R formula,  $1/\text{tolerance}$ .

**Table 4.** Multicollinearity Test Results

Variabel	Collinearity Statistics		Information
	Tolerance	VIF	
Human Resources Competency (X1)	0,541	1,850	No Multicollinearity
Financial Literacy (X2)	0,585	1,711	No Multicollinearity
Utilization of Information Technology (X3)	0,791	1,264	No Multicollinearity

Source: Data processed 2023

When there is no multicollinearity problem if the VIF value is less than ten and the tolerance value is more significant than 0.1 in the model, according to statistical analysis of collinearity.

### 5. Heteroscedasticity Test

Ghozali (2018) explains that the purpose of the heteroskedasticity test is to determine if there are differences in the residual variations seen in the regression model from the variations present in the datasets.

**Table 5**  
**Heteroscedasticity Test Results**

Variabel	Sig	Keterangan
Kompetensi Sumber Daya Manusia (X <sub>1</sub> )	0,190	Tidak Heteroskedastisitas
Literasi Keuangan (X <sub>2</sub> )	0,742	Tidak Heteroskedastisitas
Pemanfaatan Teknologi Informasi (X <sub>3</sub> )	0,062	Tidak Heteroskedastisitas

Source: Data processed 2023

The significance level for each variable exceeds 0.05, according to the data in Table 5. Therefore, these findings indicate no discrepancy in the tested equations; in other words, there are no heteroscedasticities.

### 6. Test t

Ghozali (2018) explains whether the partial test method is applied in research to assess the impact of two influencing variables and the influenced variables. In this test process, the error standard of the difference is used to check the difference in the mean values of both samples. The degree of significance of an is 5% (0,05).

**Table 6. t Test Results**

Variabel	Sig	Information
Human Resources Competency (X1)	0,005	Influential
Financial Literacy (X2)	0,000	Influential
Utilization of Information Technology (X3)	0,203	No effect

Source: Data processed 2023

According to the significance of the t-test, two variables were identified:

- Human Resource Competence (X1) significance value of 0,005, which means that Human Resources Competence(X1) has a significant impact on the Financial Reporting Quality (Y).
- Financial Literacy significance (X2) value of 0,000 means financial literacy (X2), which significantly affects financial reporting quality. (Y).
- Information Technology Usage Significance (X3) is 0.203, which means that information technology usage(X3) has no significant impact on the quality of financial statements. (Y).

### 7. Determination Coefficient Test

Ghozali (2018) explains how well models can explain changes in dependent variables, which can be calculated with determination coefficients. (R<sup>2</sup>).

**Table 7.** Determination Coefficient Results

<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>
0,701	0,491	0,475

Source: Data processed 2023

According to the data in Table 7, the model has a square R-value of 0.491. This means that the Human Resource Competence (X1), Financial Literacy (X2) and Information Technology Usage (X3) variables account for 49.1% of the Variable Financial Reporting Quality (Y) variables in UMKM. However, about the last fifty-nine per cent can be added to the additional variables not used in this study.

## DESCRIPTION

In the research context, discussions on the impact of research findings are described follows:

### a) Human Resource Competence.

The visible impact of the regression coefficient is positive, indicating that the higher the human resource competence, the higher the quality of UMKM's financial reporting will be. Human resources who have competence are those who understand and have the ability to manage finances, thus ensuring that corporate financial reports not only. It reflects the current financial situation and provides a clear insight into the potential for growth and sustainability in the future.

The research results show that the financial reporting made by UMKM in Bondowoso district is better if they receive qualified financial report management training, knowledge of accounting processes, and human resources. Most respondents agreed with the statement, which reflected the efforts of UMKM owners to improve themselves through regular training, which strengthened their understanding of effective accounting procedures and processes, creating a strong foundation for drawing up financial reports. By having competent human resources, UMKM can optimize its financial management, increase its transparency, and build stakeholder confidence. Therefore, the enhancement and attention to human resources competence is a useful strategy to support improving the quality of UMKM financial reporting, especially with market conditions continuously evolving and increasing competition.

### b) Financial Literacy

The impact indicated by the regression coefficient is positive, indicating that the higher the financial literacy, the better the quality of the UMKM Financial Report. Financial literacy refers to an in-depth understanding and knowledge of financial management, investment, and risk management.

The findings prove that UMKM actors in Bondowoso district who have basic knowledge in financial management, understand how to manage credit, savings, and investments, and can cope with future risks can affect the quality of financial reporting. From the respondents' responses, the majority indicate agreed answers, indicating that the owner of UMKM has basic knowledge of financial management, credit management, savings and investment management, and risk management. The study emphasizes the importance of financial literacy in improving the quality of UMKM financial reporting. The results show that financial literature is essential, and UMKM owners who know a lot about financial matters can produce better financial reports. Most respondents who responded agreed that the owner of UMKM had a good basic knowledge of financial management.

They understand credit management concepts, have knowledge of savings and investment management, and understand risk management well. It creates a solid foundation for compiling accurate and relevant financial statements. Knowledge of credit management helps understand its impact on cash flows and financial health. Meanwhile, understanding savings and investment management can shape wise financial strategies and support business growth. Understanding risk management is also essential to anticipate and manage potential financial risks.

c) Use of Information Technology

The visible impact of the regression coefficient is positive, indicating that the more optimal the use of information technology, the better the quality of UMKM Financial Reporting. The application of information technology by a company positively impacts the quality of the company's financial statements. Through the adoption of information technology, the risk of error can be minimized, the accuracy of transaction recording improves, and financial reports become more reliable. Information technology also enables an effort to efficiently track and analyze financial data, provide easier access to stakeholders, and increase transparency in financial reporting.

According to the double regression analysis results, the Information Technology Usage Factor does not significantly affect the quality of financial statements. The findings indicate that some UMKM perpetrators in the Bondowoso district have not fully optimized the use of information technology. This is evident from some UMKMs that are still doing transactions manually and have yet to adopt computerized processes. The results of the respondents' responses indicate that most of them disagree, indicating that many UMKM owners still need to switch to electronic processes, information management over the Internet, or the storage and management of financial data digitally. Nevertheless, the financial reports generated remained of good quality. Seeing from the characteristics of respondents, where most UMKM owners have S1/D4 education and It's been operating for over 15 years. A high level of education can enhance understanding of accounting and financial management principles, which contribute to the preparation of accurate and timely financial reports.

Moreover, a long-term business reflects operational stability, experience, and a more mature management system. Therefore, education and the enterprise's age can explain that although information technology has yet to be fully utilized, the quality of financial statements can still be good.

## **CONCLUSION**

From the analysis and discussion described by the researchers, the conclusion can be drawn as follows:

- a) The Human Resource Competence Variable has a positive and significant impact on the Quality of Financial Reporting.
- b) The Financial Literacy Variable significantly positively affects the quality of financial reporting.

## **SUGGESTIONS**

The service associated with UMKM in the Bondowoso district is expected to provide regular training for UMKM on financial management to help UMKM improve the quality of financial reporting and develop well.

The perpetrator/owner of UMKM in Bondowoso district, responsible for Managing financial statements, is expected to improve human resources competence and financial literacy to ensure the quality of the financial reports. In addition, the perpetrators/owners of UMKM can make use of information technology so that they do not experience retardation in the digital age.

Further researchers will be able to use or modify variables outside of this research model, such as accounting understanding, socialization giving, SAK application, and so on, as well as other research objects. In addition, further researchers can also compare the quality of financial reports of UMKM perpetrators based on ethnicity or gender.



## **BIBLIOGRAPHY**

- Alamsyah, M. F. (2020). Pengaruh literasi keuangan dan kualitas manajemen keuangan terhadap kinerja keuangan pada ukm meubel di kota gorontalo. *FORUM EKONOMI*, 22(2), 245–255. <http://journal.feb.unmul.ac.id/index.php/FORUM EKONOMI>
- Badan Pusat Statistik (BPS). (2023). *Ekonomi Indonesia Tahun 2022 Tumbuh 5,31 Persen*. Badan Pusat Statistik (BPS). <https://www.bps.go.id/>
- Ghozali, I. (2018). *Aplikasi Analisis Multivariate Dengan Program IBM SPSS 25* (9th ed.). Badan Penerbit Universitas Diponegoro.
- Kementerian Koordinator Bidang Perekonomian Republik Indonesia. (2022). *Perkembangan UMKM sebagai Critical Engine Perekonomian Nasional Terus Mendapatkan Dukungan Pemerintah*. <https://www.ekon.go.id/>
- Lusy, Hermanto, Y. B., & Yohanes, A. (2022). Faktor-faktor yang Mempengaruhi Kualitas Laporan Keuangan Untuk Menunjang UMKM. *Jurnal Akuntansi Dan Pajak*, 23(1).
- Otoritas Jasa Keuangan. (2022). *Otoritas Jasa Keuangan*. Otoritas Jasa Keuangan. <https://www.ojk.go.id/>
- Sugiyono. (2018). *Metode Penelitian Kuantitatif Kualitatif dan R&D*. Alfabeta.
- Suryanatha D, I. N. T., & Ayu, P. C. (2021). Pengaruh Sumber Daya Manusia dan Pemanfaatan Teknologi Informasi terhadap Kualitas Laporan Keuangan dengan Pemahaman Akuntansi Sebagai Variabel Pemoderasi. *Hita Akuntansi Dan Keuangan Universitas Hindu Indonesia*