THE INFLUENCE OF HUMAN CAPITAL, USE OF INFORMATION TECHNOLOGY, AND INTERNAL CONTROL ON THE QUALITY OF FINANCIAL REPORTS AT BPR IN DENPASAR

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Abstract:
This research aims to test the influence of human capital empirically, the use of information technology, and internal control on the quality of financial reports. The sample used in this research was saturated, namely 30 BPRs with addresses in Denpasar. This research data is quantitative and was collected using a questionnaire. The analysis technique used is the multiple linear regression analysis technique. The results of this research are that human capital has a positive and significant effect on the quality of financial reports, the use of information technology has a positive and significant effect on the quality of financial reports, and internal control has a positive and significant effect on the quality of financial reports. In addition, this provides implications for future researchers to add other variables such as internal audit, accounting information systems, and others. It is necessary to increase the number of samples and expand the scope of research, which is more comprehensive than BPR in Denpasar.

Keywords: Human Capital, Utilization of Information Technology, Internal Control, and Quality of Financial Reports.


INTRODUCTION

Quality financial reports are helpful as a basis for decision-making for interested parties. Financial accounting standards determine that for financial reports to have good quality, they must meet the qualitative characteristics of financial reports: understandable, relevant, reliable, and comparable. Various factors can influence the quality of financial reports, including human capital, the use of information technology, and internal control. Employees with an educational background in accounting will have a better understanding of preparing financial reports. Goo (2022) and Ridzal, et al (2022) show that human resources positively and significantly affect the quality of financial reports. This is inversely proportional to research by Animah et al. (2020).

Companies now prioritize efficiency by maximizing the use of technology and reducing activities carried out manually. Information technology allows the accounting process to be carried out quickly, even in remote locations. Sukriani et al. (2018) and Paramitha et al. (2019) found that using information technology positively and significantly affects the quality of financial reports. However, Riandani (2017) has other findings, namely that using information technology does not affect the quality of financial reports.

Internal control is a process influenced by human resources and information technology designed to help an organization achieve specific goals. Lestari and Dewi (2020) and Ridzal et al.
(2022) found that internal control positively and significantly affects the quality of financial reports. However, these results were not found in Atharrizka et al.’s (2021) research.

The description above shows that more research results are needed. Therefore, further research is needed to examine the factors that influence the quality of financial reports. This research was conducted at Denpasar's People's Credit Bank (BPR). BPR is a knowledge-based organization, so human capital is essential in achieving its performance. BPR is also an organization that massively uses information technology in its operational activities. BPR is at high risk of fraud, so internal control is necessary to prepare quality financial reports. This is another reason for conducting research at BPR.

This research tests human capital variables that were not found in previous research. This is the novelty of this research. This research provides theoretical contributions supporting human capital theory. Apart from that, it also makes a practical contribution to BPR in Denpasar City in understanding the factors that influence the quality of financial reports, namely human capital, use of information technology, and internal control over the quality of financial reports.

METHODS

Human capital is significant for organizations because they need intellectual capital to carry out their operational activities. Septiana (2017), Paramitha and Dharmadiaksa (2019), and Lestari and Hastuti (2020) found that human resource competency has a positive and significant effect on the quality of financial reports. H1: Human capital positively affects the quality of financial reports.

Some of the benefits obtained from using information technology are that communication processes are more accessible and faster, trading processes can be carried out electronically, easy access to information, work can be done online, and even the environment is better protected by reducing the use of paper (Dalle et al., 2020). Sukriani et al. (2018), Chodjah and Nurul (2018), and Rohman et al. (2020) found that the use of information technology has a positive and significant effect on the quality of financial reports. H2: Information technology positively affects the quality of financial reports.

A company carries out internal control to encourage efficiency and effectiveness in company performance. Creating a sound system by improving the internal control system for good quality financial reports is necessary to achieve company goals. Triono and Novita Dewi (2020), Lesmana (2020), and Nasrullah (2021) found that the internal control system has a positive and significant effect on the quality of financial reports. H3: Internal control positively affects the quality of financial reports.
Figure 1. The Influence of Human Capital, Use of Information Technology, and Internal Control on the Quality of Financial Reports at BPR in Denpasar

The population in this study was 30 BPRs whose addresses were in Denpasar, Bali. The research used saturated sampling, meaning the sample used was 30 BPRs with addresses in Denpasar. The data collection method used in this research is a questionnaire. The questionnaire will be sent in hardcopy form to 30 BPRs with addresses in Denpasar. The respondent in this study was the head of finance or accounting at the BPR. The research variables were measured using a 5-point Likert scale (Strongly agree = 5, Agree = 4, Quite agree = 3, Disagree = 2, Strongly disagree = 1).

Human capital is measured using the Gaol (2014) instrument containing 4 statement items. The utilization of information technology was measured using the Dalle et al. (2020) instrument containing 4 statement items. Internal control is measured by an instrument from the Committee of Sponsoring Organizations of the Treadway Commission (2013) containing 5 statement items. The quality of financial reports is measured using the Diana and Setiawati (2017) instrument containing 4 statement items. The hypothesis was tested using multiple linear regression.

RESULT AND DISCUSSION

Of the 30 respondents who participated in this research, the majority were male, 26 people (86.7%), and 23 had a bachelor’s degree (73.3%). All respondents were aged ≥ 40 years.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.784a</td>
<td>.615</td>
<td>.570</td>
<td>7.573</td>
<td>2.215</td>
</tr>
</tbody>
</table>

The value of R² = 57%, which means that 57% of the variation in the quality of financial reports (Y) can be explained by the variables human capital (X₁), use of information technology (X₂), internal control (X₃), and 43% is influenced by other variables that not examined in this research such as internal audit, accounting information systems, and others.

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>2379.632</td>
<td>3</td>
<td>793.211</td>
<td>13.830</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>1491.168</td>
<td>26</td>
<td>57.353</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3870.800</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The significance value is 0.000 < 0.05, so the variables human capital, use of information technology, and internal control together have a significant effect on the quality of financial reports.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
</table>

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The human capital variable has a positive regression coefficient of 0.433 and a significance value of 0.038 < 0.05. This means that the human capital variable has a positive and significant effect on the quality of financial reports, so H1, which states that human capital has a positive effect on the quality of financial reports, is accepted. This means that the better the human capital is, the better the quality of financial reports at BPRs in Denpasar. From the perspective of human capital theory, human capital reflects the company's collective ability to produce the best solutions based on the knowledge possessed by the people in the company. Human capital will increase if the company can use its employees' knowledge (Noor, 2021, p. 6). The results of this research support Septiana (2017), Paramitha and Dharmadiaksa (2019), and Lestari and Hastuti (2020), who found that human capital has a positive and significant effect on the quality of financial reports.

The information technology utilization variable has a positive regression coefficient of 0.542 and a significance value of 0.034 < 0.05. This means that the variable use of information technology has a positive and significant effect on the quality of financial reports, so H2, which states that the use of information technology has a positive effect on the quality of financial reports, is accepted. This means that the high use of information technology in BPRs in Denpasar City can improve the quality of financial reports. Information technology will provide many conveniences or benefits for employees in preparing financial reports. The results of this research support Sukriani et al. (2018), Chodijah and Nurul (2018), and Rohman et al. (2020), who researched that the use of information technology has a positive and significant effect on the quality of financial reports.

The internal control variable has a positive regression coefficient of 0.532 and a significance value of 0.036 < 0.05. This means that the internal control variable has a positive and significant effect on the quality of financial reports, so H3, which states that internal control positively affects the quality of financial reports, is accepted. This means that the more effective internal control is, the better the quality of financial reports at BPRs in Denpasar. Effective internal control will minimize fraud in financial reports so that the reports are reliable. Reliable financial reports help financial report users to make decisions. This research supports Triono and Novita Dewi (2020), Lesmana (2020), and Nasrullah (2021), who stated that internal control has a positive and significant effect on the quality of financial reports.

CONCLUSION
This research shows that human capital, the use of information technology, and internal control significantly positively affect the quality of financial reports. This provides an implication for BPRs in Denpasar City to routinely carry out maintenance or updates to information technology and provide strict sanctions if, in implementing internal control, fraud is discovered by employees. In addition, this provides implications for future researchers to add other variables such as internal audit, accounting information systems, and others. It is necessary to increase the number of samples and expand the scope of research, which is more comprehensive than BPR in Denpasar.

REFERENCES


