Dodol Garut Application: Human Resources Competency, Business Size, Information Technology Utilization, and Financial Reporting Quality

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Abstract. Many MSMEs have not recorded financial transactions, so they have difficulty preparing financial reports because they feel the process is too complicated. Implementation of the Dodol Garut Application for *Dodol* Entrepreneurs in Garut City is expected to solve these problems. The *Dodol Garut* Application helps in inventory management and financial records to improve financial reporting quality. Therefore, this study investigates the effect of business size, human resources competency, and information technology utilization on financial reporting quality. Responses of 33 *Dodol* Entrepreneurs who implemented the *Dodol Garut* Application are processed using multiple linear regression analysis with SPSS Software. The results indicate that business size and information technology utilization positively affect financial reporting quality. Other results show that human resources competency does not affect financial reporting quality. Businesses with a larger size have more human resources available to manage the business efficiently. By using an integrated information system, employees can manage data more quickly and on time, increasing their ability to manage the business effectively. Businesses that are managed effectively and efficiently can present financial information more quickly and accurately to have quality financial reports.

1 Introduction

Garut is a city in West Java, Indonesia. Garut has leading tourism destinations in West Java, such as beaches, mountains, craters, waterfalls, lakes, and temples. The Garut region has many Micro, Small, and Medium Enterprises (MSMEs). MSMEs in the Garut region have developed significantly in the last five years. Garut had 275,175, 292,200, 310,279, 329,477, and 349,863 MSMEs in 2017, 2018, 2019, 2020, and 2021, respectively [1]. One of Garut City's economic activities is the production of *Dodol*, an authentic Garut food. As *Dodol* production centers in West Java, MSMEs have a unique attraction for investors and creditors. However, many MSMEs have not recorded financial transactions because they feel the process is too complicated, making it difficult for them to prepare financial reports. In addition, many MSMEs have not recorded and calculated production costs, resulting in

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unstructured expenses and no detailed transaction history. Recording each transaction can be wrong and missed because all transaction processes are not computerized. Quality financial reports are an essential indicator for investors and creditors to assess the feasibility and potential of an investment. Preparing financial reports for MSMEs is also a tool to determine the condition of company profits or losses, control assets and liabilities, plan income, and cost efficiency [2]. Therefore, MSMEs need to be supported by applications that can help record transactions and improve financial reports' quality.

This research contributes to MSME *Dodol* entrepreneurs by developing the *Dodol Garut* Application. The *Dodol Garut* Application is a web-based application for managing raw material inventory and calculating production costs and raw material inventory. The *Dodol Garut* Application has the functionality of raw material purchase transactions, sales of finished goods transactions, displaying production cost reports, and displaying stock cards. This application uses the Codeigniter framework. This framework uses the hypertext preprocessor (PHP) programming language, and the database uses Structured Query Language (SQL). This application can be used by employees who work in MSMEs in the warehouse, production, and finance unit.

Implementation of the *Dodol Garut* Application can improve the quality of financial reporting, if the business has competent human resources, a larger business size, and utilizes technology to produce quality information. Therefore, this study investigates the influence of human resources competency, business size, and information technology utilization on financial reporting quality. Business size can affect the ability of MSMEs to manage their human resources [3]. Business size can affect the quality of financial statements because larger companies generally have more integrated and structured accounting systems, making it easier to manage and present financial information [3]. Larger companies also have human resources who are more trained and skilled in accounting, they can prepare more accurate and precise financial statements [2]. The use of technology can also affect the competence of human resources [4]. Business size, human resource competency, and technology utilization are interrelated factors that can influence MSMEs' success in managing their business. Therefore, MSMEs need to manage their human resources properly, use the right technology, and consider the appropriate business size to support the success of their business.

2 Research method

Researchers distributed questionnaires from May 11, 2023, until May 20, 2023, to 50 employees and owners of ten *Dodol* MSMEs in Garut City who implemented *Dodol Garut* Application. However, the response rate is 66%, as only 33 surveys were returned and could be analyzed. Five Likert scales were utilized to measure 30 statement items in this study's questionnaire. Multiple linear regression and data quality tests were employed in this investigation using SPSS software [5] [6].

The quality of financial reports is a financial report that has four characteristics, namely relevance, reliability, comparability, and understanding [4] [7]. Ten statements were used to test the dependent variable of financial reporting quality [8].

Human resources competency, the first independent variable, is the understanding and ability of a person in a system to carry out the functions of his authority to achieve organizational goals effectively and efficiently [4]. Because human resources are one of the most critical organizational elements, businesses need to ensure that human resource management is carried out as well as possible to optimally contribute to achieving organizational goals [9]. Human resources competency is assessed using six knowledge- and skill-based statements [4] [8].

Second, business size is one organizational characteristic that indicates a business's condition [5]. Business size is a company's capacity to manage its business, which can be measured by looking at the number of employees employed, and the income received by the company in a certain period [10]. Six size-based statement items are used to measure the business size variable [2].

Third, information technology comprises computerized, and interaction technologies combined to create software and hardware systems. This software and hardware will be used as a tool for processing, organizing, and storing data. Timely, relevant, and accurate information can be used as material for decision-making [4]. The ability to operate an accounting information system effectively and efficiently can produce information quickly, accurately, and precisely [4]. Information technology utilization is considered capable of assisting organizational processes, shortening processing time, and reducing individual errors in managing data and presenting financial reports [8]. Information technology utilization is assessed by eight statements on media, computer use, calculator use, and information technology awareness [4] [8]. The following is the multiple linear regression equation that was employed.

$$FRQ_{it} = \alpha + \beta_1 HRC_{it} + \beta_2 BS_{it} + \beta_3 ITU_{it} + e \tag{1}$$

which *FRQit* = Financial Reporting Quality; *HRCit* = Human Resources Competency; *BSit* = Business Size; and *ITUit* = Information Technology Utilization.

3 Results and discussion

3.1 Respondents characteristics

The *Dodol Garut* Application is used by 20 women (61%) and 13 men (39%), who are employees and owners of *Dodol Garut* MSMEs (see Fig. 1). This shows that most respondents are female. The respondents' age-based characteristics are as follows: 33 respondents were between the ages of 18 and 25 (21%), 26 and 35 (21%), 36 and 45 (34%), and over 45 (24%). This shows that most respondents are aged between 36 to 45 years (see Fig. 2). The latest education-based characteristics of the respondents show that out of 33 respondents, one person (3%) graduated from elementary school, three people (9%) from junior high school, 21 people (64%) from high school, three people (9%) from Diploma, and five people (15%) from Bachelor. This shows that the majority of respondents have completed high school education (see Fig. 3).
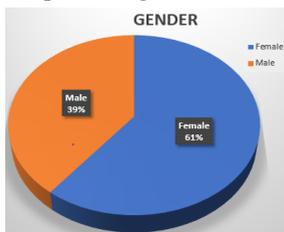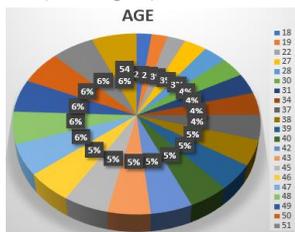
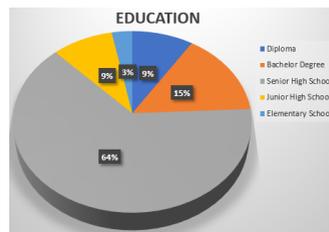

Fig. 1. Gender   **Fig. 2.** Age   **Fig. 3.** Education

3.2 Descriptive statistics

Table 1 presents the responses of *Dodol Garut* MSMEs' employees and owners. The respondents' response score to financial reporting quality was 43%, meaning that financial reporting quality was included in the low category. The low response is due to several

conditions in the *Dodol Garut* MSMEs. UMKM *Dodol Garut* has not prepared reports systematically, has not used financial reports to evaluate past financial performance, has not been published on time according to the accounting period, is not free from material errors, has not been presented consistently, information cannot be understood and has not met the needs of other parties. Inconsistency in recording financial report transactions and a high employee turnover cycle at UMKM *Dodol* in Garut are factors causing the low quality of financial reports. Implementing the *Dodol* Garut Application is expected to facilitate inventory management, record transactions, and speed up the preparation of financial reports so that financial information can be presented on time.

Table 1. The Respondents' Responses

Variables	Response	Total Score	Percentage (%)	Category
FRQ	711	1650	43	Lower
HRC	732	990	74	Competent
BS	703	990	71	Sufficient
ITU	779	1320	59	Lower

The human resources competence is 74%, meaning that MSMEs' employees and owners have a good competent category. MSMEs' employees and owners have accounting knowledge, the capacity for teamwork, technical skills, ideas, creativity, and thoughts to complete work. Higher education is crucial for improving business performance [13].

The size of the business is 71%, which indicates that it falls into the sufficient business size category. The number of assets owned, the number of people needed to operate the firm, and the total revenue made are some of the factors that indicate whether a company is large or small [10]. *Dodol Garut* MSMEs have enough employees to complete the job, a sales volume that can meet the monthly target, and an expedited business. Business size is one organizational characteristic that indicates a business's condition [5].

The utilization rate of information technology is 59%, which indicates that it falls into the lower category. This low response is due to several conditions. MSMEs' employees and owners are not aware of the use of how information technology may be used to generate high-quality data, have not employed hardware to complete the accounting process, have not used calculating tools in making financial reports, have not published financial statements through electronic media such as websites, and have not used a fund distribution system online such as bank transfers or other cashless platforms.

3.3 Results and discussion

Before hypotheses testing, this study used validity, reliability, multicollinearity, heteroscedasticity, and normality tests [5] [6]. The validity test showed that 30 questionnaire items were feasible and valid because the correlation coefficient was greater than 0.344. Financial reporting quality has a Cronbach alpha score of 0.956, firm size of 0.905, human resources competency of 0.864, and information technology utilization of 0.920, indicating that the respondents' responses were stable and consistent [5] [6]. According to this result, there was no heteroscedasticity, no multicollinearity, and normally distributed in the research data. Furthermore, the results of multiple linear regression are shown in Table 2.

The results did not support the first hypothesis, indicating that human resources competency did not affect financial reporting. This finding is consistent with [8] but inconsistent with previous studies [9] [14]. This finding suggests that *Dodol Garut* MSMEs lack the skilled human capital necessary to prepare financial statements. *Dodol Garut* MSMEs' employees and owners do not understand the rules for preparing financial statements based on applicable accounting standards. Existing conditions indicate that the

recording of purchases is not computerized, the stock control of raw materials and auxiliary materials is poorly controlled, and the purchases of raw materials are irregular. As a result, expenses are unstructured, and there is no detailed transaction history, so errors and missed transaction recording processes are triggered. This causes the financial reports to be not qualified. Therefore, a web-based application is needed to help record all transaction activities that *Dodol Garut* MSMEs carry out to realize quality financial reports. *Dodol Garut* MSMEs needs to organize continuous accounting training to enhance its financial statement preparation skills.

Table 2. Regression Result

Variables	B	Std. Error	t	Sig.	Decision
C	-6.109	3.942	-1.550	0.132	
HRC	0.310	0.355	0.875	0.389	H1 not supported
BS	0.766	0.277	2.763	0.010	H2 supported
ITU	0.597	0.175	3.416	0.002	H3 supported
F-statistic	40.282			0.000	
Adjusted R^2	0.786				

The results support the second hypothesis, indicating that business size positively affects financial reporting. The finding is consistent with previous studies [2] [11]. These findings suggest that the quality of financial reporting increases as business size increases. *Dodol Garut* MSMEs can determine the size of their business by considering the number of employees employed and the income earned in a specific accounting period. Larger companies generally have a more integrated and structured accounting system [3]. Therefore, *Dodol Garut* Application makes managing and presenting financial statements easier.

The results support the third hypothesis, indicating that information technology utilization positively affects financial reporting. This finding is consistent with previous studies [4]. This finding suggests that financial reporting quality improves with more information technology use. Applying information technology like *Dodol Garut* Application to *Dodol* MSMEs can help improve efficiency and effectiveness in collecting, processing, and analyzing financial data, making the resulting financial reports more accurate, reliable, and relevant. Information technology decreases the possibility of financial report preparation errors, prevents financial report submission delays, and increases usefulness for decision-making [12]. Financial reports also can reveal a company's strategy to improve its financial performance [15]. In addition, *Dodol Garut* Application can also assist *Dodol* MSMEs in supervising and controlling finances, thereby minimizing the risk of errors and fraud.

4 Conclusion and recommendation

This study examines human resources competency, business size, and information technology utilization affect financial reporting quality. According to the results, financial reporting quality is positively impacted by business size and information technology utilization, but not by human resources competence. These three independent variables can explain the quality of financial reporting by 79%, while other factors explain the rest. Future studies can look at additional factors that affect the quality of financial reporting, such as the implementation of accounting standards, accrual-based government accounting standards, and internal control systems. The results imply for *Dodol Garut* Entrepreneurs.

Dodol MSMEs are required to optimize asset utilization to satisfy the needs for business continuity. *Dodol* MSMEs are intended to increase their human resources competency by giving training in employing technology like computers to support business activities, make

accounting records and financial reporting, and use the *Dodol Garut* Application effectively. *Dodol* MSMEs are expected to use hardware to carry out the accounting process, calculate tools in making financial reports, use online fund distribution systems such as bank transfers and other cashless platforms, and publish financial statements via electronic media such as websites and others. Utilizing information technology such as the *Dodol Garut* Application can minimize errors caused by human error. Furthermore, the *Dodol Garut* Application helps financial management so that all transactions can be recorded more systematically for each activity.

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