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Determinants Of Financial Reporting Quality In Islamic Cooperatives: The Role Of Human Resource Competency, Accounting Information Systems, And Internal Control

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Abstract

Islamic cooperatives play an important role in supporting community economic development through sharia-based financial practices. However, many Islamic cooperatives still face challenges in producing high-quality financial statements due to limitations in human resource competencies, accounting information systems, and internal control systems. Therefore, this study aims to examine the influence of human resource quality, accounting information systems, and internal control systems on the quality of financial statements of Islamic cooperatives in Magelang Regency. This study employed a quantitative approach using a survey method. The population consisted of financial division staff of Islamic cooperatives in Magelang Regency. Using purposive sampling, 45 respondents from 11 Islamic cooperatives were selected based on predetermined criteria. Data were collected through questionnaires distributed via Google Forms and analyzed using multiple linear regression analysis with the assistance of SPSS software. Instrument validity and reliability tests, as well as classical assumption tests, were conducted prior to hypothesis testing. The results revealed that human resource quality does not significantly affect financial statement quality. In contrast, accounting information systems and internal control systems positively and significantly affect the quality of financial statements. These findings indicate that the quality of financial reporting in Islamic cooperatives is more strongly influenced by the effectiveness of accounting technology and internal governance mechanisms than by human resource quality alone. The study concludes that strengthening accounting information systems

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and internal control practices is essential to improving transparency, accountability, and reliability in Islamic cooperative financial reporting.

Keywords: Accounting Information Systems, Financial Statement Quality, Human Resource Quality, Internal Control Systems, Islamic Cooperatives.

INTRODUCTION

Islamic cooperatives are one of the microfinance institutions that play an important role in supporting community economic development, particularly among lower- and middle-income groups (Soetrisno, 2016; Satriawan & Dewi, 2020). Based on sharia principles such as justice, mutual assistance, and the prohibition of usury (riba), Islamic cooperatives are established not only to generate profit but also to uphold moral and spiritual values in economic activities. In carrying out their operations, Islamic cooperatives are required to maintain accountability and transparency, particularly in financial management and reporting.

Financial statements serve as an important source of information for stakeholders in assessing the performance and financial condition of a cooperative. High-quality financial statements reflect transparency, accountability, and compliance with applicable accounting standards, including Sharia Financial Accounting Standards (PSAK Syariah). However, in practice, many Islamic cooperatives in Indonesia, including those in Magelang Regency, still encounter difficulties in preparing reliable and high-quality financial statements. Several cooperatives have not fully implemented proper accounting procedures, resulting in financial reports that are less accurate, less timely, and not fully compliant with accounting standards (Astari et al., 2023).

One of the factors influencing the quality of financial statements is the quality of human resources. Human resources with adequate knowledge, skills, and competencies in accounting and financial management are more capable of preparing reliable financial reports. According to Soetrisno (2016), human resource quality includes the ability, knowledge, skills, and work attitudes possessed by individuals in carrying out organizational tasks effectively. In the context of Islamic cooperatives, employees are expected not only to understand accounting practices but also to comprehend sharia principles in financial management. Nevertheless, many Islamic cooperatives at the regional level still face limitations in terms of competent personnel in accounting and financial reporting.

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In addition to human resource quality, accounting information systems (AIS) also play an important role in improving the quality of financial statements. AIS assists organizations in recording, processing, and presenting financial information accurately, effectively, and efficiently. Romney and Steinbart (2014) explained that AIS is a system used to collect, process, and communicate financial information to internal and external users. The utilization of AIS enables Islamic cooperatives to minimize recording errors, accelerate transaction processing, and improve the accuracy of financial reporting. Furthermore, the Regulation of the Minister of Cooperatives and SMEs Number 16 of 2015 emphasizes the importance of implementing information systems to support transaction recording, reporting, and internal supervision within Islamic cooperatives.

Another factor that affects financial statement quality is the internal control system (ICS). An effective internal control system helps organizations prevent errors, detect fraud, and ensure compliance with regulations and accounting standards. According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO), internal control is a process designed to provide reasonable assurance regarding operational effectiveness, reliability of financial reporting, and compliance with applicable laws and regulations (Rittenberg, 2013). In Islamic cooperatives, internal control systems are essential to maintaining accountability, transparency, and trustworthiness in financial management.

Several previous studies have examined the factors affecting the quality of financial statements. Shofa et al. (2022) found that human resource quality positively influences financial statement quality. Similarly, Juwita (2013) and Masiaga (2019) concluded that accounting information systems contribute positively to the quality of financial reporting. In addition, Astari et al. (2023) demonstrated that internal control systems significantly affect financial statement quality. However, other studies have shown inconsistent findings. Arza et al. (2021), for example, reported that human resource quality does not significantly affect financial statement quality. These inconsistent findings indicate the existence of a research gap that requires further investigation.

This study differs from previous studies in terms of research object and variables examined. Previous research conducted by Suratman (2022) focused on outsourcing companies, whereas this study specifically investigates Islamic cooperatives in Magelang Regency. Moreover, this study simultaneously examines the influence of human resource quality, accounting information systems, and internal control systems on the quality of financial statements.

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This study aims to analyze the influence of human resource quality, accounting information systems, and internal control systems on the quality of financial statements of Islamic cooperatives in Magelang Regency. The results of this study are expected to contribute theoretically by enriching understanding regarding factors affecting financial statement quality. Practically, this study is expected to serve as evaluation material and a reference for related institutions and cooperative management in improving the quality of financial management and reporting within Islamic cooperatives.

Therefore, this study is important to conduct to encourage the creation of transparent, accountable, and sharia-compliant financial statements. High-quality financial reporting is expected to strengthen public trust, support sound decision-making, minimize the risk of fraud, and promote the sustainable development of Islamic cooperatives amid the dynamics of the modern economy.

RESEARCH METHOD

This study employed a quantitative approach using a survey method to examine the influence of human resource quality, accounting information systems, and internal control systems on the quality of financial statements of Islamic cooperatives in Magelang Regency. The population consisted of financial division staff of Islamic cooperatives in Magelang Regency. Using purposive sampling, 45 respondents from 11 Islamic cooperatives were selected based on the criteria of being cooperative employees with a minimum working period of one year.

The study utilized both primary and secondary data. Primary data were collected through online questionnaires distributed via Google Forms, while secondary data were obtained from cooperative profiles and relevant literature. The questionnaire items were developed based on the indicators of each research variable and measured using a 4-point Likert scale ranging from strongly disagree to strongly agree.

Instrument validity was tested using Kaiser-Meyer-Olkin (KMO) and factor loading analyses, while reliability was assessed using Cronbach's Alpha with a minimum threshold of 0.70. Data analysis was conducted using multiple linear regression analysis with the assistance of SPSS software. Prior to hypothesis testing, classical assumption tests, including normality, multicollinearity, and heteroscedasticity tests, were performed. Hypothesis testing was carried out using the t-test and F-test, while the coefficient of determination (Adjusted R^2) was used to measure the explanatory power of the independent variables on the dependent variable.

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RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistical analysis was conducted to provide an overview of the research variables, including human resource quality (HRQ), internal control systems (ICS), accounting information systems (AIS), and financial statement quality (FSQ). The results of the descriptive statistics are presented in Table 1.

Table 1 shows that all variables have mean values greater than their respective standard deviations, indicating that the data distribution is relatively good and homogeneous. Among the variables, the internal control system (ICS) has the highest mean value (29.62), suggesting that respondents generally perceived the implementation of internal control systems in Islamic cooperatives to be relatively good.

Table 1. Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
SDM	45	11	20	15.20	2.180
SPI	45	19	40	29.62	4.494
SIA	45	7	20	15.40	3.380
KLK	45	14	28	21.49	3.368
Valid N (listwise)	45				

Source: Processed Data, 2025

Construct Validity Test

Construct validity testing was conducted using Confirmatory Factor Analysis (CFA) through the Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity approaches. The validity test aimed to determine whether the indicators used in this study could measure the intended constructs. The results showed that all variables met the validity criteria, with KMO values above 0.50 and Bartlett's Test significance values below 0.05. The KMO values obtained were 0.753 for HRQ, 0.644 for AIS, 0.856 for ICS, and 0.642 for FSQ ($p < 0.001$). These findings indicate that all research instruments are valid and suitable for further analysis.

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Reliability Test

Reliability testing was conducted using Cronbach's Alpha to evaluate the consistency of the research instrument. According to Nunnally, an instrument is considered reliable if the Cronbach's Alpha value exceeds 0.70. The results showed Cronbach's Alpha values of 0.740 for human resource quality, 0.799 for accounting information systems, 0.892 for internal control systems, and 0.875 for financial statement quality. Therefore, all variables in this study were considered reliable, indicating that the questionnaire items consistently measured the intended constructs.

DISCUSSION

The results further showed that human resource quality did not significantly influence financial statement quality. This finding indicates that the preparation of financial statements in Islamic cooperatives is increasingly supported by standardized accounting software and digital financial systems, thereby reducing dependence on individual accounting competencies. Islamic cooperatives in Magelang Regency have implemented accounting applications such as Siskeu, Accurate, and similar financial software to support financial management activities. These systems automate various accounting processes, including journal entries, ledger preparation, reconciliation, and periodic financial reporting. Consequently, financial statement preparation no longer relies solely on employees' manual accounting capabilities.

This finding suggests that technological adoption may substitute limited human resource competencies in financial reporting practices. Even though some cooperatives may not possess employees with advanced accounting backgrounds, the use of standardized accounting systems enables cooperatives to maintain acceptable financial reporting quality. This result supports the argument that digital transformation in accounting practices can reduce operational dependence on individual expertise. Furthermore, this finding supports the study conducted by Arza et al. (2021), which found that human resource quality does not significantly influence financial statement quality. However, the result contradicts Shofa et al. (2022), who reported a positive relationship between human resource quality and financial reporting quality. The inconsistency of these findings indicates that the influence of human resources may depend on the extent of technological implementation within organizations.

The results also indicated that accounting information systems positively and significantly affected financial statement quality. This finding confirms that the implementation of effective accounting information systems improves the accuracy,

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relevance, timeliness, and reliability of financial reporting. This finding is consistent with the Accounting Information System theory proposed by Romney and Steinbart (2014), which states that accounting information systems facilitate the collection, processing, and communication of financial information for decision-making purposes. Likewise, Jogiyanto (2016) emphasized that effective information systems generate accurate and reliable information that supports organizational performance and accountability.

The implementation of computer-based AIS in Islamic cooperatives in Magelang Regency has enabled faster and more systematic financial reporting processes. The systems facilitate real-time transaction recording, reduce human error, accelerate reconciliation processes, and simplify the management of complex sharia contracts such as murabahah, mudharabah, musyarakah, and ijarah. In addition, AIS implementation supports compliance with PSAK Syariah and enhances financial transparency and accountability. By minimizing recording errors and limiting opportunities for fraud, AIS becomes an important instrument in improving the quality of cooperative financial statements. These findings are consistent with previous studies conducted by Juwita (2013) and Prasisca et al. (2013), which concluded that accounting information systems significantly improve financial reporting quality.

Furthermore, the findings revealed that internal control systems positively and significantly affected financial statement quality. This result indicates that effective internal control practices contribute to improving the reliability, transparency, and accountability of financial reporting within Islamic cooperatives. This finding supports the COSO framework, which emphasizes that internal control systems play a crucial role in ensuring operational effectiveness, preventing fraud, maintaining compliance, and enhancing the reliability of financial statements.

Internal control systems implemented within Islamic cooperatives include segregation of duties, authorization procedures, risk assessment, monitoring activities, and documented standard operating procedures (SOPs). The results further indicate that periodic supervision and clear organizational structures help minimize errors and fraud in financial reporting. In addition, the integration of information technology with internal control mechanisms strengthens the accuracy and timeliness of financial statements. These findings are consistent with the studies conducted by Shofa et al. (2022) and Astari et al. (2023), which demonstrated that internal control systems significantly influence financial statement quality. Therefore, stronger internal control implementation contributes to more credible and transparent financial reporting practices within Islamic cooperatives.

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Overall, this study demonstrates that accounting information systems and internal control systems play a more dominant role than human resource quality in improving financial statement quality within Islamic cooperatives. These findings indicate a shift from traditional human-based accounting practices toward technology-assisted and system-based financial reporting mechanisms. Practically, this study implies that Islamic cooperatives should prioritize strengthening accounting information systems and internal control mechanisms to improve financial reporting quality. Investments in digital accounting systems, standardized procedures, and internal governance structures are essential to achieving transparent, accountable, and sharia-compliant financial reporting practices

CONCLUSION

This study aimed to examine the influence of human resource quality, accounting information systems, and internal control systems on the quality of financial statements of Islamic cooperatives in Magelang Regency. The findings revealed that human resource quality does not significantly affect financial statement quality, while accounting information systems and internal control systems have a positive and significant effect on financial statement quality. These results indicate that the quality of financial reporting in Islamic cooperatives is more strongly influenced by the effectiveness of technological systems and internal governance mechanisms than by human resource quality alone.

The study concludes that the implementation of effective accounting information systems and strong internal control systems can improve the accuracy, transparency, accountability, and reliability of financial statements in Islamic cooperatives. Therefore, Islamic cooperatives are encouraged to strengthen the utilization of accounting technology and internal control practices to support sustainable and sharia-compliant financial management. Future studies are recommended to expand the research scope by involving larger samples and broader research areas, as well as incorporating additional variables such as organizational culture, leadership, technological readiness, and organizational commitment to provide a more comprehensive understanding of the factors affecting financial statement quality.

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